

**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**IN THE MATTER OF THE INSURANCE ACT**



- and -

**IN THE MATTER OF AN APPLICATION** by **THE INSURANCE COMPANY OF PRINCE EDWARD ISLAND** for approval to change its rates and risk-classification system for miscellaneous vehicles

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

**APPLICANT:** **THE INSURANCE COMPANY OF PRINCE EDWARD ISLAND**

**FINAL SUBMISSIONS:** May 10, 2019

**DECISION DATE:** **May 28, 2019**

**DECISION:** **Application is approved.**

## **I INTRODUCTION**

[1] The Insurance Company of Prince Edward Island (ICPEI) applied to the Nova Scotia Utility and Review Board to change its rates and risk-classification system for miscellaneous vehicles consisting of all-terrain vehicles, motorcycles, snow vehicles and trailers. The company proposed the addition of new deductibles for snow vehicles and all-terrain vehicles, and changes to its rating manual.

[2] Since the filing of this application, the company received and responded to an information request from Board staff about one of the changes proposed in the rating manual. The company filed an amended application to correct an error as a result. Board staff also reviewed the application and prepared a report (Staff Report). After reviewing the Staff Report, ICPEI asked that the effective date for its proposed changes be September 1, 2019, rather than August 1, 2019, as it had proposed in its application. The company had no other comments on the Staff Report.

[3] The Board did not deem it necessary to hold an oral hearing on the application.

## **II ISSUE**

[4] The issue in this application is whether the company's proposed new deductibles and changes to its rating rules are reasonable and in compliance with the *Insurance Act (Act)* and its regulations.

## **III ANALYSIS**

[5] The company sought approval to add new deductibles for snow vehicles and all-terrain vehicles, and to make other changes to its rating manual. The company made the application using a simplified version of the Board's *Rate Filing Requirements*

*for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. The company's mandatory filing date is May 1, 2021, but in this application the company only intended to address a few issues that did not require it to file an actuarial analysis of rate level needs. Therefore, this application does not qualify to reset the company's mandatory filing date for these vehicles.

[6] The revised proposed effective date for changes requested in this application is September 1, 2019, for both new and renewal business.

#### **Proposed New Deductibles for Snow Vehicles and All-terrain Vehicles**

[7] ICPEI proposed to add four new deductibles for physical damage coverages for snow vehicles and all-terrain vehicles. Currently, the company offers a range of deductibles in specified increments up to \$1,500. The proposed new deductibles are \$2,000, \$3,000, \$4,000, and \$5,000. Because a higher deductible results in a smaller amount paid for a claim under these coverages, one would expect to pay a lower premium when selecting a higher deductible. ICPEI, however, set the differentials for the new deductibles equal to that for the \$1,500 level, resulting in no premium difference for the higher levels.

[8] ICPEI advised that it was adding the new deductibles for underwriting purposes. Under its rating rules, the company describes certain circumstances where it will not agree to supply insurance coverage for a particular risk, or where it may do so only following an application and referral for an underwriting review. The additional higher deductibles give the company more flexibility when assessing the risk and allow it to write higher risk vehicles while limiting its exposure.

[9] Board staff recommend that the Board approve the new deductibles and the proposed differentials, and the Board agrees.

### **Rating Manual Changes**

[10] ICPEI proposed changes to its rating rules. These changes:

- add all-terrain vehicles and snowmobiles over \$10,000 to the risks that must be referred to the company for underwriting review;
- add comments that all-terrain vehicles and snowmobiles valued over \$10,000 will be subject to higher physical damage deductibles;
- replace the current referral value limit of \$12,000 with \$10,000 for snowmobiles;
- replace “750 cc” with “850 cc” in the reference to underwriting rules for motorcycles; and
- replace “impaired driving” with “impaired driving caused by alcohol, drugs, or prescription drugs” under Serious or Criminal Code Convictions.

[11] These changes refine the risks ICPEI is willing to write and highlight to the broker that certain referred risks are subject to higher physical damage coverages. The change to the language about impaired driving clarifies what the company means by impaired. None of these changes violate the *Act* or its regulations.

[12] Board staff recommend that the Board approve all the proposed changes to the company’s rating rules, and the Board agrees.

### **Automobile Insurance Manual**

[13] Board staff have reviewed the Automobile Insurance Manual on file and found no instances where the company is in violation of the *Act* or its regulations. The company proposed no changes to its Automobile Insurance Manual other than those necessary to effect the changes noted in this Decision. The effective date for the changes

proposed in this application coincides with the proposed effective date for changes in an ICPEI private passenger vehicles application currently before the Board. The Board directs the company to include any Automobile Insurance Manual changes that result from this Decision to be included in the updated version of the manual that is required to be filed following the decision on the private passenger vehicles application.

#### IV FINDINGS

[14] The Board finds that the application follows the *Act* and its regulations, as well as the *Rate Filing Requirements*.

[15] The Board approves the proposed additional deductibles and related differentials for all-terrain vehicles and snow vehicles.

[16] The Board approves the changes to ICPEI's rating rules requested by the company in this application

[17] The application does not qualify to reset the mandatory filing date. The mandatory filing date for the company for the miscellaneous vehicles included in this application will remain unchanged at May 1, 2021.

[18] The Board approves the effective date of September 1, 2019, for both new and renewal business.

[19] An Order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 28<sup>th</sup> day of May, 2019.

  
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Stephen T. McGrath