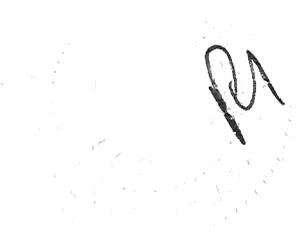


NOVA SCOTIA UTILITY AND REVIEW BOARD

 IN THE MATTER OF THE INSURANCE ACT

- and -

**IN THE MATTER OF AN APPLICATION** by **ECHELON INSURANCE** for approval to change its rates and risk-classification system for private passenger vehicles

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

**APPLICANT:** **ECHELON INSURANCE**

**FINAL SUBMISSIONS:** June 12, 2019

**DECISION DATE:** **June 21, 2019**

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

## I INTRODUCTION

[1] Echelon Insurance applied to the Nova Scotia Utility and Review Board to change its rates and risk-classification system for private passenger vehicles. The only changes the company requested were the removal of a recently approved rating variable based on the number of years that a person has had automobile insurance, and balancing adjustments to its rates so that overall premiums for the insurance it will provide remain the same despite the removal of this rating variable.

[2] The Board must consider whether the proposed rates and changes to the company's risk-classification system are just and reasonable and in compliance with the *Insurance Act (Act)* and its regulations. The Board is satisfied that Echelon's application meets these requirements and approves the removal of the company's "Years Insured" rating variable and associated off-balancing.

## II ANALYSIS

[3] Echelon applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Because of the limited scope of the company's current application, the Board accepted a simplified version of the *Rate Filing Requirements*. Board staff reviewed the application and prepared a report to the Board with recommendations on the application (Staff Report). Before providing the Staff Report to the Board, Board staff shared it with Echelon. Echelon clarified a couple of points in the Staff Report, and a revised version of the report was prepared by Board staff and given to Echelon. Echelon informed Board staff that the Staff Report summed up the company's application and had no further comments.

[4] The Board approved Echelon's most recent application for private passenger vehicles in May 2019 (M09056). In that application, Echelon asked the Board to approve a new variable based on the number of years that a person has had automobile insurance. Echelon explained that the number of years with auto insurance was not information that the company collected or was available in its corporate information systems. The Company proposed to use a proxy while gathering the information for new business. The Board approved this rating variable, on this basis.

[5] After the Board approved Echelon's application, the company concluded that it could not implement this new rating variable into its business system, as it expected it would be able to do when it asked the Board to approve the rating variable. Echelon also determined that the proxy that it proposed did not sufficiently capture the risk that the company had intended this rating variable to address. As a result, Echelon now asks the Board to allow it to remove this rating variable, and to approve adjustments to its base rates to offset the impact of the removal of this variable. Board staff viewed these off-balance calculations and confirmed that they effectively eliminate the impact of the proposed removal of the variable and that Echelon's rating algorithm will no longer include this variable.

[6] Board staff recommend that the Board approve the removal of the "Years Insured" rating variable and the associated changes to base rates to make the removal of the variable revenue neutral. The Board agrees.

### **III SUMMARY**

[7] The Board finds the proposed rates and risk classification system are just and reasonable.

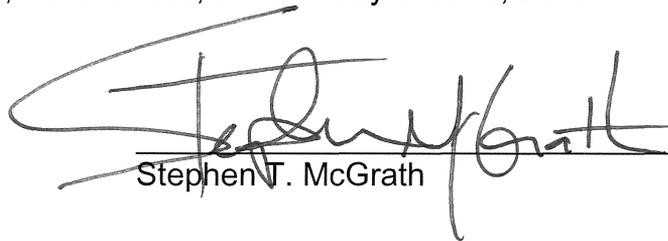
[8] Given the limited scope of the application, it does not qualify to set a new mandatory filing under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The mandatory filing date for Echelon for private passenger vehicles stays at February 1, 2021.

[9] The changes approved in this Decision are effective September 15, 2019, for new business and renewal business. This is also the effective date for new and renewal business for the changes approved in Echelon's recent application.

[10] Echelon must file an electronic version of its updated Automobile Insurance Manual within 30 days of the issuance of the Order in this matter.

[11] An Order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 21<sup>st</sup> day of June, 2019.



Stephen T. McGrath