

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT



- and -

IN THE MATTER OF AN APPLICATION by **WAWANESA MUTUAL INSURANCE COMPANY** for approval to change its underwriting rules for private passenger vehicles and motorhomes and its fees for all vehicles for declined payments for premiums because of insufficient funds

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

APPLICANT: **WAWANESA MUTUAL INSURANCE COMPANY**

FINAL SUBMISSIONS: July 24, 2019

DECISION DATE: **July 31, 2019**

DECISION: **Application is approved.**

I INTRODUCTION

[1] Wawanesa Mutual Insurance Company applied to the Nova Scotia Utility and Review Board to change its underwriting rules for private passenger vehicles and motorhomes. Most of the proposed changes do not result in changes to the company's risk-classification system. While the application was under review, Wawanesa amended it to include a request to approve an increase in the amount it charges to a customer when the customer's bank declines payment for premiums because of insufficient funds in the customer's bank account. This proposed change would apply to all vehicles.

[2] The changes that Wawanesa proposes to its underwriting rules that do not result in changes to the company's risk-classification system do not require Board approval. For those that do, the Board must consider whether the proposed changes to the risk-classification system are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*. The Board is satisfied that Wawanesa's application meets these requirements and approves those underwriting changes. The Board also finds that the proposed change to Wawanesa's charge for payments that are declined because of insufficient funds is just and reasonable, and the Board approves the change for all vehicles.

II ANALYSIS

[3] Wawanesa applied under a simplified version of the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, Wawanesa received and responded to Information Requests (IRs) from Board staff. Board staff also 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 Wawanesa. The company reviewed the report and informed Board staff that it was satisfied with the report.

[4] Board staff examined the changes Wawanesa proposes to its underwriting rules and the further details about these changes that the company provided in its IR responses. Board staff consider that most of the changes Wawanesa proposes to its underwriting rules do not affect the company's rates or its risk-classification system. Many changes clarify current practices. Some changes simply alter the way that information is presented in Wawanesa's Automobile Insurance Manual. Some of the rules address Wawanesa's concerns about optional physical damage coverages. Board staff found only two proposed changes that affect the company's risk-classification system and recommend that the Board further review these changes. The Board accepts this recommendation and will examine the following issues in this decision:

- the definition of "driver's education" for Wawanesa's First Chance Plan;
- the treatment of driving experience outside of Canada and the United States; and
- the charge for payments declined for insufficient funds.

The Definition of "Driver's Education" for Wawanesa's First Chance Plan

[5] Wawanesa offers a First Chance Plan to individuals with a driver's licence issued in Canada or the United States who have less than six years driving experience and a good driving record. The Plan credits such individuals with the equivalent of six years of driving experience if they have driver's education, and with the equivalent of three years of driving experience if they do not.

[6] Wawanesa's current definition of driver's education requires "the driver to have passed a Licensed Driver Training Course or substantially similar Driver Training

course elsewhere in North America". Wawanesa proposed replacing "elsewhere in North America" with "in Canada or the United States". Under this proposed change, Wawanesa will not recognize driver training courses completed in Mexico. Wawanesa explains that it does not want to recognize Mexican driver training courses and says it is often difficult to determine if such a course is "licensed".

[7] The exclusion of Mexican driver training courses results in the potential that Wawanesa would ascribe a driving record rating of six to a client seeking a quote before the effective date of the change and a driving record rating of three to the same client seeking a quote after the change. Because a different driving record rating results for the same risk, this is a risk-classification change that requires Board approval. Board staff note that the change does not violate the *Act* or the *Regulations* and state that the proposed change seems reasonable given the evidence provided by Wawanesa. The Board agrees.

The Treatment of Driving Experience Outside of Canada and the United States

[8] Wawanesa calculates a client's driving record based on their years of accident free driving experience. Wawanesa currently recognizes experience gained anywhere in the world. Wawanesa proposes to no longer recognize driving experience outside of Canada or the United States. Wawanesa would therefore treat a driver with no experience in these two countries as a new driver. Wawanesa also says that it would grandfather its existing clients so the change would not apply to them. The company also confirmed that drivers with only international experience (i.e., outside of Canada or United States), who are treated as new drivers under this new rule, will be eligible to qualify for the company's First Chance Plan.

[9] Wawanesa explains that its loss experience for drivers from countries other than Canada and the United States has been bad. As well, the company says that the nature of the driving experience can vary greatly from that in Canada and the United States. For example, drivers in some countries drive on the opposite side of the road. Other rules of the road can also vary significantly. Board staff state that this explanation makes the change seem reasonable in the circumstances, and the Board agrees.

The Charge for Payments Declined for Insufficient Funds

[10] Wawanesa currently applies a \$25 charge when a premium payment from a client fails because of insufficient funds in the client's bank account. This charge is to cover the added administrative effort associated with the non-payment. Wawanesa proposes to increase this charge to \$40. The increase reflects the increased cost associated with processing these non-payments and is consistent with the charges levied by other insurance companies in these situations. The Board finds that this charge is reasonable, and it is approved for all vehicles.

III SUMMARY

[11] The Board finds that the application follows the *Act* and *Regulations*, as well as the *Rate Filing Requirements*.

[12] The Board finds the proposed changes to Wawanesa's risk-classification system relating to its recognition of driving experience and the definition of "driver's education" for the company's First Chance Plan are just and reasonable. The Board approves these changes for private passenger vehicles and motorhomes, effective September 1, 2019 for new business and renewal business.

[13] The Board finds that the proposed increase in Wawanesa's charge for non-sufficient funds to \$40 is just and reasonable, and the Board approves this increase for all vehicles, effective January 1, 2020.

[14] The application does not qualify to set a new mandatory filing under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The mandatory filing date for Wawanesa for private passenger vehicles stays at April 1, 2021; its mandatory filing date for miscellaneous vehicles, including motorhomes, stays at September 1, 2020; and its mandatory filing for commercial vehicles stays at February 1, 2022.

[15] Board staff reviewed Wawanesa's Automobile Insurance Manual filed with the Board and did not find any instances where the Manual contravened the *Act* and *Regulations*. The company must file an electronic version of its Manual, updated for the changes approved in this decision, within 30 days of the issuance of the order in this matter.

[16] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 31st day of July, 2019.


Stephen T. McGrath