

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT



- and -

IN THE MATTER OF AN APPLICATION by **TD INSURANCE GROUP** for approval to modify its rates and risk-classification system for miscellaneous vehicles

BEFORE: David J. Almon, LL.B., Member

APPLICANT: TD INSURANCE GROUP

FINAL SUBMISSIONS: July 29, 2019

DECISION DATE: July 31, 2019

DECISION: Application is approved.

I INTRODUCTION

[1] TD Insurance Group, which includes Security National Insurance Company, Primum Insurance Company, and TD Home & Auto Insurance Company, collectively, (TD or Company) filed supporting documents and materials (Application) with the Nova Scotia Utility and Review Board (Board) for approval to modify its rates and risk-classification system for miscellaneous vehicles (MV). The Application, dated July 19, 2019, was filed electronically on July 22, 2019.

[2] Based on the prior TD application for these vehicles which was filed on July 22, 2016, the Board assigned a mandatory filing deadline of July 1, 2019. This was disclosed in the decision; however, the application was filed exactly 36 months from the prior application and, therefore, did not meet the Board deadline. However, TD met the legislation requiring a filing within 36 months of the previous filing. In the circumstances of this Application, the Board accepts the filing as meeting the deadline. The Board cautions TD to use the deadline in the decision and if the Board deadline cannot be met, the Company should apply for an extension, well in advance of that date.

[3] Information Requests (IRs) were sent to the Company on July 23 and 24, 2019, and responses were received on July 26, 2019.

[4] As a result of a review by Board staff, a staff report dated July 29, 2019 (Staff Report) was prepared. The Staff Report was provided to the Company for review on the same date. The Company responded on July 29, 2019, indicating that it had reviewed the Staff Report and had no comments.

[5] The Board did not deem it necessary to hold an oral hearing on the Application. The Board finds that the proposed rates and risk-classification system are just and reasonable and approves the Application.

II ISSUE

[6] The issue in this Application is whether the proposed rates and changes to the risk-classification system are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*.

III ANALYSIS

[7] The Company sought approval to change its rates for miscellaneous vehicles. The Application was made in accordance with the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*.

[8] The proposed effective date is February 1, 2020, for new business and renewals.

Rate Level Changes

[9] The Company proposed changes to its current rates for miscellaneous vehicles that vary by coverage and by vehicle.

[10] Citing a lack of credible data to develop meaningful actuarial indications, TD compared its rates to those of the most recent approved rates for IAO Actuarial Consulting Services (IAO). TD rerated its combined books using the IAO rates and

established its indicated rate level as the change required to bring its current premium level to that produced using the IAO rates.

[11] The Board allows this approach to fulfil the mandatory filing requirements, generally for a small volume of business like TD's. The Board accepts the staff recommendations and sets the mandatory filing date to July 1, 2022.

[12] TD provided a table showing the overall proposed and indicated changes. While the same rates are proposed for all three companies, the different mix of business in each of the sister companies results in a different proposed change for each.

[13] TD writes motorcycles, ATVs and snow vehicles on a stand-alone basis and trailers on an accommodation basis only (i.e., there must also be a private passenger vehicle on the policy with trailer). TD said that despite the willingness to write on a stand-alone basis, a large proportion of the vehicles form part of a policy with multiple vehicles.

[14] TD argues it does not have enough volume, or more importantly, enough claims to allow it to produce meaningful actuarial indications. TD used the IAO comparisons to support the proposal. The Company indicates that the IAO analysis of the entire industry provides a more credible review of the required overall rate level. However, because the IAO risk-classification system involves only a few variables, it does not allow the Company to differentiate the risks as finely as in the TD risk-classification system. Therefore, TD used the IAO rates to produce a target of a reasonable level of premium that it is striving to eventually achieve. However, TD proposed to allocate the level of premium via the Company's own risk-classification system.

[15] The rate comparisons show that in many instances, the premium produced by the TD rates and risk-classification system are well below that produced by the IAO

rates and risk-classification system. TD is moving to partially address this difference in order to mitigate the significant premium dislocation that a complete change would produce.

[16] In response to questioning, TD provided a comparison of its average premiums to that of the industry using information from exhibits produced by the General Insurance Statistical Agency (GISA). In the view of TD, the rates are competitive.

[17] Board staff agree the current rates are competitive for ATVs and motorcycles. While the proposed changes may worsen the competitive position, the proposal will not unduly change that result. For snow vehicles, TD explained its rationale for the differences in the rates.

[18] GISA does not provide similar information for Trailers. TD relied on the IAO rate comparisons, which showed that the TD rates were well below those of IAO. TD proposed an increase that moved three quarters of the way towards the IAO rates, consistent with the other vehicles.

[19] TD also provided raw information on loss ratios for these vehicles. Over the past three years, these ratios were seen to be very good, in most cases. This experience has been very volatile.

[20] Board staff states TD supported its proposed changes to rates. Board staff recommends, and the Board approves, the proposed rate changes for each type of vehicle.

Premium Dislocation Cap

[21] TD proposed to continue the use of a Board approved premium dislocation cap. This cap applies on a total vehicle premium basis and restricts an increase in

premium (or a decrease in premium) at renewal to 25%. Given the nature and size of the proposed changes, only trailers will be subject to the cap on increases. The cap, however, will be applied on all miscellaneous vehicles.

[22] Board staff recommends, and the Board approves, the continued use of the premium dislocation cap.

Automobile Insurance Manual

[23] Board staff have reviewed the rate manual on file and found no instances where the Company is in violation of the *Regulations*.

[24] Because TD only proposed changes to rates, the application would produce no changes to the automobile insurance manual because this manual does not display rates. The Board, therefore, does not need TD to provide a new manual.

IV FINDINGS

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

[26] The financial information submitted by TD satisfies the Board, under Section 155I(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the Company.

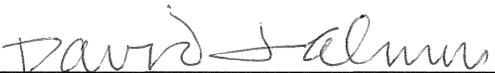
[27] The Board approves the proposed changes to rates for motorcycles, all terrain vehicles, snow vehicles, and trailers.

[28] The Board resets the mandatory filing deadline for these vehicles to July 1, 2022, for the TD Group of Companies. The Board also cautions TD that this is the deadline it is required to meet for its next filing.

[29] The Board approves the effective date of February 1, 2020, for both new business and renewals.

[30] An Order will issue accordingly.

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


David J. Almon