

DECISION

2019 NSUARB 171  
M09422

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

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

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

**APPLICANT:** ZENITH INSURANCE COMPANY

**FINAL SUBMISSIONS:** December 5, 2019

**DECISION DATE:** December 20, 2019

**DECISION:** Application is approved.

## I INTRODUCTION

[1] Zenith Insurance Company applied to the Nova Scotia Utility and Review Board to change its rates and risk-classification system for private passenger vehicles. The current Zenith rates and risk-classification system includes the most recently approved IAO rates available at the time the Company made its last application to the Board. The Board allowed a few deviations from the IAO rates at that time for Zenith. A sister company to Zenith, Northbridge General Insurance Company, also uses those IAO rates.

[2] The Company proposed changes to its underwriting rules, including introducing new rules and clarifying existing ones. Zenith also proposed changes to the pricing for several of its endorsement offerings.

[3] The Board must consider 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*. The Board is satisfied that Zenith's application meets these requirements and approves the proposed changes to the Company's rates and risk-classification system.

## II ANALYSIS

[4] Zenith applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, Zenith 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 Zenith. The company reviewed the report and informed Board staff of its request for a change of effective dates seeking to remove the Affinity Discount from the Application.

[5] The Board will examine the following issues in this decision:

- Issue #1 - Underwriting Rules Changes
- Issue #2 – Standard Endorsement Changes

### **Underwriting Rules Changes**

[6] Zenith proposed changes to its underwriting rules. The Company will introduce several new rules and will add clarification for others. These changes will align the Zenith underwriting rules with those of its sister company, Northbridge General Insurance Corporation.

[7] A comparison of the revised rules and those for Northbridge General revealed that where Zenith is making changes, those sections will exactly match those for Northbridge General. Given that the two use the same rates, aligning the underwriting rules makes sense.

[8] None of the proposed changes appear to violate the *Insurance Act* or its *Regulations*. The changes would not impact rates or premiums.

[9] Board staff recommends, and the Board approves, the proposed changes to underwriting rules.

### **Standard Endorsement Changes**

[10] Zenith proposed changes to its pricing for several standard endorsements, its bundles including those endorsements, and one non-standard endorsement. In all cases, the proposed changes align the premiums, and for NSEF#27 Legal Liability for

Damage to Non-Owned Vehicles the maximum liability and required deductible, with those for Northbridge General.

[11] Zenith explained it could not implement changes to these endorsements at the time Northbridge General did. The endorsement changes had to be phased to accommodate the phasing in of a new rating system among the Northbridge companies. Zenith's changes were in a different phase and are now ready to implement. Zenith is now looking to make the endorsement changes.

[12] Because the Board approved the pricing used by Northbridge General, approval of that pricing for Zenith seems reasonable and appropriate.

[13] The following list highlights the changes being made.

- NSEF#20 - Loss of Use - increase premium from \$15 to \$20;
- NSEF#27 - Legal Liability for Damage to Non-Owned Automobiles - increase maximum limit from \$50,000 to \$100,000; add requirement for \$500 All Perils Deductible; and lower premium from \$25 to \$20;
- NSEF#43R - Limited Waiver of Depreciation - replace rate group-based pricing with flat \$15;
- NSEF#43R(L) - Limited Waiver of Depreciation (Specified Lessee(s)) - replace rate group-based pricing with flat \$15;
- FORM A - Physical Damage Extension (owned vehicles) (Groups NSEF#20, 27 and 43R) - replace rate group-based pricing with flat \$55, which reflects the sum of the individual endorsement premiums;
- FORM B - Physical Damage Extension (Groups NSEF#20, and 27) - increase premium from flat \$30 to flat \$40, which reflects the sum of the individual endorsement premiums;
- FORM C - Physical Damage Extension (leased vehicles) (Groups NSEF#20, 27 and 43R(L)) - replace rate group-based pricing with flat \$55, which reflects the sum of the individual endorsement premiums;

- FORM E - Emergency Service Expense - removes current flat \$15 premium (will be available for no charge).

[14] Zenith will only offer FORM A, B and C bundles to existing clients. New clients must purchase the endorsements separately. The premium in either case, however, will be the same as a result of the changes.

[15] Board staff recommends and the Board approves the proposed changes to the pricing for endorsements, including the limit and deductible change for NSEF#27.

### III SUMMARY

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

[17] The Board finds the proposed rates are just and reasonable, and approves the changes effective February 15, 2020, for new business and March 17, 2020, for renewal business.

[18] The financial information supplied by Zenith satisfies the Board, under Section 155l(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the company.

[19] The mandatory filing date for Zenith for private passenger vehicles stays at July 1, 2020.

[20] Board staff reviewed Zenith'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.

[21] An order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 20<sup>th</sup> day of December, 2019.

  
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David J. Almon