

**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**IN THE MATTER OF THE INSURANCE ACT**



- and -

**IN THE MATTER OF AN APPLICATION** by **ROYAL & SUN ALLIANCE INSURANCE COMPANY OF CANADA** for approval to maintain its rates and risk-classification system for miscellaneous vehicles

**BEFORE:** Roberta J. Clarke, Q.C., Member

**APPLICANT:** **ROYAL & SUN ALLIANCE INSURANCE COMPANY OF CANADA**

**FINAL SUBMISSIONS:** November 7, 2019

**DECISION DATE:** **November 14, 2019**

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

## I INTRODUCTION

[1] Royal & Sun Alliance Insurance Company of Canada (RSA) applied to the Nova Scotia Utility and Review Board to maintain its rates and risk-classification system for miscellaneous vehicles. These vehicles include antique and classic vehicles; all-terrain vehicles; motorcycles; motorhomes; snow vehicles; and, camper trailers. In addition to maintaining its rates, the company also asks the Board to approve some changes to its underwriting and decline rules for all-terrain vehicles; motorcycles; and, snow vehicles.

[2] The Board must consider whether the proposed rates and risk-classification system are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*. The Board is satisfied that RSA's application meets these requirements and approves the company's proposed rates and risk-classification system, including the rules changes.

## II ANALYSIS

[3] RSA applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, RSA received and responded to Information Requests (IRs) from Board staff. Board staff 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 RSA. The company reviewed the report and informed Board staff that it had no further comments.

[4] RSA's application did not include actuarial indications. The Board observes that, for the most part, RSA underwrites miscellaneous vehicles on an accommodation basis. The total annual premium for this class of vehicles represents less than 2% of RSA's business in Nova Scotia. Due to the small volume of miscellaneous vehicles RSA insures, an actuarial analysis would not provide meaningful results. Therefore, RSA chose to make comparisons with the average premium from industry. In such cases, the Board has permitted the comparison approach to support proposed rates.

[5] RSA used data from the General Insurance Statistical Agency (GISA) for comparisons of its average premiums by coverage to those of industry, where such information was available through GISA. The Board notes that GISA does not provide data for camper trailers which would allow a comparison.

[6] In general, the overall average premiums for RSA are higher than the industry average, although for some coverages, the premiums were lower. The company explained that this is due to its mix of business, its underwriting appetite, and possible differences in risk-classification.

[7] Board staff have concluded that the proposal to maintain current rates is reasonable and should be approved by the Board. The Board accepts that recommendation and approves the proposal.

### **Underwriting Rules**

[8] The company proposed changes to its underwriting rules for all-terrain vehicles, motorcycles and snow vehicles. It also proposed to update its decline lists for those vehicles.

[9] The changes will limit the types of risks which it is willing to insure. By adding some new rules, the company will have more restrictions. It confirmed in IR responses

that any of the current risks which would otherwise be declined under the new rules will be grandfathered. Board staff stated that the new rules and updates to the decline lists do not violate the *Automobile Insurance Underwriting Practices Regulations*.

[10] Board staff recommend approval of the proposed changes. The Board agrees and approves the changes.

### 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 rates are just and reasonable, and approves them effective April 1, 2020, for new business and May 1, 2020, for renewal business.

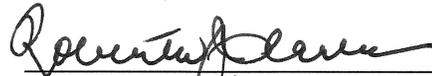
[13] The financial information supplied by RSA satisfies the Board, under Section 155I(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the company.

[14] The application qualifies to set a new mandatory filing date under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The new mandatory filing date for RSA for miscellaneous vehicles is November 1, 2022.

[15] Board staff reviewed RSA'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 14<sup>th</sup> day of November, 2019.

  
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Roberta J. Clarke