

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 for private passenger vehicles

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

APPLICANT: **ECHELON INSURANCE**

FINAL SUBMISSIONS: January 13, 2020

DECISION DATE: **January 16, 2020**

DECISION: **Application is approved**

I INTRODUCTION

[1] Echelon Insurance applied to the Nova Scotia Utility and Review Board to change its rates for private passenger vehicles. The company proposes rate changes that result in an overall increase of 5%.

[2] The Board must consider whether the proposed rates 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 proposed changes to the company's rates.

II ANALYSIS

[3] Echelon applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155H Expedited Approval (Rate Filing Requirements)*. Section 155H of the *Insurance Act* permits an insurer to apply for rates to be approved on an expedited basis if the average of the proposed rates for each coverage and category of automobile insurance does not exceed an amount that is prescribed by the Board. The Board currently allows expedited approval applications for changes to rates for private passenger vehicles that are less than or equal to 5% on an all coverages combined basis.

[4] 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.

[5] Echelon compared its proposed rates to Board staff indications from its last application for changes to its rates and risk-classification system for private passenger vehicles (M09056/2019 NSUARB 72). That application resulted in an approved overall

rate level increase of 35%, although the Board noted that the approved rates were lower than the rates suggested in Echelon's actuarial analysis in that application.

[6] Echelon also compared its proposed rates to the previous indications updated to reflect the impact of Board's loss trends between the average effective date of the previously approved rates and the average effective date for the proposed rates in this application. This update brought the indications closer to the proposed 5% increase.

[7] Echelon noted that, despite the large increase approved in its last application, it has continued to see significant growth in its policy count. The company stated that the previous large increase was targeted toward very inexperienced operators. More experienced operators saw decreases in rates. As a result, Echelon's rates for more experienced operators were out of line with industry. Echelon believes this explains why its policy count has continued to grow and is the reason for this application. Echelon's proposal addresses this concern. While Echelon proposed a 5% increase for all coverages, the company chose to modify its years licensed differentials to target the increase to those risks where it believed it is underpriced relative to the industry. As a result, some clients will see increases above the 5% level, while other clients may see smaller increases or even reductions. The change, however, averages to 5% for each coverage and overall.

[8] Board staff report that, while Echelon has proposed rates which are targeted toward certain coverages, none of the changes result from new risk-classification factors. Board staff recommend that the application be approved as the rates will overall increase by no more than the prescribed percentage of 5%. The Board accepts this recommendation.

III SUMMARY

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

[10] The Board finds the proposed rates are just and reasonable, and approves the changes effective April 1, 2020, for both new business and renewal business.

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

[12] An application for expedited approval under the *Rate Filing Requirements* does not qualify to set a new mandatory filing date under the *Mandatory Filing of Automobile Rates Regulations*. The mandatory filing date for Echelon for private passenger vehicles stays at February 1, 2021.

[13] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 16th day of January, 2020.



Roberta J. Clarke