

**DECISION**

**2020 NSUARB 109  
M09804**

**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**IN THE MATTER OF THE INSURANCE ACT**

**- and -**

**IN THE MATTER OF AN APPLICATION** by **UNITED GENERAL INSURANCE CORPORATION** for approval of its initial rates and risk-classification system for miscellaneous vehicles

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

**APPLICANT:** **UNITED GENERAL INSURANCE CORPORATION**

**FINAL SUBMISSIONS:** August 5, 2020

**DECISION DATE:** **August 17, 2020**

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

## I INTRODUCTION

[1] United General Insurance Corporation applied to the Nova Scotia Utility and Review Board for approval of its initial rates and risk-classification system for miscellaneous vehicles, i.e., all-terrain vehicles, motorcycles, snow vehicles, motorhomes, and trailers. The company is a new entrant to the Nova Scotia automobile insurance market, but has operated in New Brunswick for more than 30 years as a subsidiary of Mutual Farm Re. The company provides home, tenant, farm, and commercial insurance products in partnership with New Brunswick mutual companies. In decisions of the Board earlier this year, United General received approval of initial rates for private passenger vehicles (2020 NSUARB 86) and for commercial vehicles (2020 NSUARB 88).

[2] United General intends to bring the same business model to Nova Scotia and to develop partnerships with Nova Scotia mutual companies. The company does not intend to target the miscellaneous vehicle market; rather, it expects to insure only a small number of such vehicles on an accommodation basis for its private passenger and commercial vehicle clients.

[3] 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 United General's application meets these requirements and approves the company's proposed rates and risk-classification system.

## II ANALYSIS

[4] United General applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, United General 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 United General. The company reviewed the report and informed Board staff that it had no further comments.

[5] Because the company does not expect to issue many policies for miscellaneous vehicles in Nova Scotia, United General chose to use the rates and risk-classification system it uses for them in New Brunswick. The only difference is the Health Services Levy. The Board will examine the following issues in this decision:

- Appropriateness of New Brunswick rates for use in Nova Scotia
- Health Services Levy
- Discounts and Surcharges
- Endorsements

### **Appropriateness of New Brunswick rates for use in Nova Scotia**

[6] The Board must decide whether the proposal to use New Brunswick rates, which are based on New Brunswick experience, is appropriate for Nova Scotia. A comparison of New Brunswick and Nova Scotia average earned premiums for 2014 to 2018 for all coverages combined shows that the New Brunswick premiums are higher. United General views the use of the New Brunswick rates as it enters the Nova Scotia market to be prudent because the company does not intend to actively target this market

and will offer policies only on an accommodation basis. The company will limit the size and value of the vehicle it will underwrite.

[7] In the circumstances, Board staff state that the use of the New Brunswick rates and risk-classification system is reasonable, and the Board agrees.

### **Health Services Levy**

[8] United General proposes a premium for the Health Services Levy in Nova Scotia, which is higher than it uses in New Brunswick. The company made this decision to account for any differences in health care costs and determination of the Levy between the two provinces. The company chose to use the value charged by a Nova Scotia insurer which includes a provision for associated expenses and profit. Board staff state that this is a prudent approach, and the Board agrees.

### **Discounts and Surcharges**

[9] In keeping with the proposal to use the New Brunswick rates and risk-classification system, United General also proposed to offer the same discounts and surcharges it applies in that province to its Nova Scotia business. The company wants to make the introduction of its business and implementation of its systems as simple as possible. Board staff report no reason to believe that the level of discounts and surcharges should be different in Nova Scotia and recommend approval. The Board accepts the recommendation.

## **Endorsements**

[10] For endorsements, United General took the same approach as it did with discounts and surcharges, proposing to offer the same endorsements in Nova Scotia as in New Brunswick. Board staff observe that the rates for these endorsements have been in place in New Brunswick for some time, with only minimal adjustments. Board staff further state that it is unlikely that the experience in Nova Scotia would be so different that changes to the premiums would be required. The Board accepts the recommendation of Board staff to approve the proposed endorsements.

## **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, including the Health Services Levy, and approves the rates and risk-classification system effective September 1, 2020, for new business. As a new entrant, United General has no renewal business.

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

[14] As a new entrant, United General will now be subject to mandatory filings under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The new mandatory filing date for United General for miscellaneous vehicles is July 1, 2023.

[15] Board staff reviewed the private passenger vehicle section and the specific miscellaneous vehicle sections of United General's Automobile Insurance Manual filed with the Board and did not find any instances where these sections of the Manual contravened the *Act* and *Regulations*. The company must file a complete electronic version of its Manual, updated as 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 17<sup>th</sup> day of August, 2020.

  
Roberta J. Clarke .