

DECISION

**2020 NSUARB 128
M09863**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

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

BEFORE: Stephen T. McGrath, LL.B., Member

APPLICANT: **S & Y INSURANCE COMPANY**

FINAL SUBMISSIONS: October 20, 2020

DECISION DATE: **October 28, 2020**

DECISION: **Application is approved.**

I INTRODUCTION

[1] S & Y Insurance Company applied to the Nova Scotia Utility and Review Board to change its rates and risk-classification system for private passenger vehicles. The company is not currently active in the insurance market in Nova Scotia but contemplates entering the market. S & Y's currently approved rates and risk-classification system are based on those approved for its sister companies, Aviva Insurance Company of Canada and Traders General Insurance Company, which are active in the Nova Scotia market. In this application, S & Y proposed to update its rates and risk-classification system based on recent changes the Board approved for Aviva. In addition to base rate changes, the recent Aviva application resulted in changes to discounts, endorsements, the rating table used and underwriting changes.

[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 S & Y's application meets these requirements and approves the company's proposed rates and risk-classification system.

II ANALYSIS

[3] S & Y Insurance Company applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Board staff prepared a report to the Board with recommendations on the application. The company reviewed the report and provided Board staff with comments clarifying its proposal. Based on these comments, Board staff prepared a revised report

that the company also reviewed. Board staff made further corrections based on an additional clarification made by the company and supplied the final report to the Board.

[4] In October 2016, S & Y, a member of the Aviva group of companies, applied for Board approval of its first rates and risk-classification system. S & Y's first application contemplated entering the Nova Scotia insurance market, but, at present, it has not officially launched its business in Nova Scotia and does not currently cover private passenger vehicles in the Province. S & Y's current application was required to meet a mandatory filing deadline on October 1, 2020, and provides it with an opportunity to keep its rates and rating rules current and aligned with its sister companies to facilitate its eventual market entry.

[5] S & Y based its first rates and risk-classification system on those offered by its sister companies, Aviva and Traders. The proposed rates were slightly lower than Aviva's because S & Y is a direct writer and has a different expense structure. The Board approved S & Y's rates. Certain discounts, surcharges and endorsement offerings that the Board approved at that time were also different from Aviva's.

[6] At its first mandatory filing deadline in 2018, S & Y again applied to adopt a rates and risk-classification system based on Aviva's. S & Y proposed to keep its previously approved differences and introduced others. The Board also approved that application.

[7] In this application, S & Y proposed to adopt the rates and risk-classification system the Board recently approved for Aviva (2020 NSUARB 14). S & Y continued to recognize its expense differences by proposing base rates lower than Aviva's, using the

same difference approved in its last filing. The company also proposed to continue all previously approved deviations from Aviva's risk-classification system.

[8] The recent Aviva decision introduced a new credit-based rating variable, the Responsibility Factor. Other changes approved for Aviva included the adoption of the 2019 Canadian Loss Experience Automobile Rating (CLEAR) Table; the removal of its Anti-Theft and Loyalty Discounts; changing its accident forgiveness endorsement to follow the standard NSEF #39 form; the introduction of a new "5S" endorsement, which allows a vehicle to be used for ride-sharing programs; and underwriting changes. S & Y proposed to adopt all these changes as well.

The Proposed Rates

[9] With no existing business in the Province, S & Y cannot provide the Board with any meaningful actuarial analysis. However, such an analysis supported the Board approved Aviva rates and risk-classification system, which are the foundation for S & Y's current application, and qualified to reset Aviva's mandatory filing date.

[10] S & Y's proposed use of the rates and risk-classification system the Board recently approved for Aviva will allow S & Y to stay up-to-date relative to the Aviva rates and allow for a smoother implementation when S & Y decides to formally launch in Nova Scotia. S & Y proposed to continue its reduction in base rates to reflect S & Y's expense differences from Aviva and the different discounts, surcharges, and endorsements approved in S & Y's past applications. In the circumstances, the Board finds S & Y's proposed rates are reasonable and approves them.

Responsibility Factor

[11] In recent applications, the Board allowed Aviva and Traders to introduce a new rating variable they called a “Responsibility Factor.” That variable uses credit information to determine the potential for a client to receive a discount, but the client does not have to consent to a credit check to be insured. S & Y proposed to adopt this rating variable on the same basis the Board approved for Aviva. Given the Board’s consideration of this issue in the Aviva and Traders applications, and the relationship of the companies and their rates and risk-classification systems, the Board finds S & Y’s proposal reasonable and approves its use of this rating variable.

2019 CLEAR Table

[12] To assign rate groups for physical damage coverages and for Accident Benefits, S & Y currently uses an older version of the CLEAR (AB Alberta & Atlantic) Combined (Coll & DCPD) – Extended Vehicle Code (21 Years) Table, published by the Insurance Bureau of Canada. The Board has already approved Aviva’s adoption of the more recent 2019 version of this table. S & Y proposed to adopt this table as well. The Board finds S & Y’s proposal reasonable and approves its adoption of the 2019 CLEAR table.

Removal of Discounts

[13] S & Y currently has an Anti-Theft Discount and a Loyalty Discount. In a recent application, the Board allowed Aviva to remove these discounts. S & Y proposed to remove them as well. Given the relationship of the companies and their rates and

risk-classification systems, the Board finds S & Y's proposal reasonable and approves its removal of these discounts.

Endorsement Changes

[14] Aviva recently received Board approval to introduce a non-standard endorsement, 5S-Permission to Participate in a Vehicle Sharing System. The wording of the endorsement was also approved by the Superintendent of Insurance. This endorsement removes an exclusion under its policy allowing the vehicle to be used as a "Vehicle Share Automobile."

[15] S & Y proposed to introduce this endorsement to allow for the short-term rental of a vehicle. S & Y also proposed using the Aviva approved wording, as well as the premium that the Board approved for Aviva. Given the relationship of the companies and their rates and risk-classification systems, the Board finds S & Y's proposal reasonable and approves its introduction of this vehicle sharing endorsement.

[16] In its recent application, Aviva also received Board approval to retire its non-standard Six* Protector (PRO) endorsement in favor of a standard endorsement, NSEF #39 – Accident Rating Waiver. Aviva was also allowed to stop offering the endorsement to occasional drivers and to change how the premium for the endorsement applied in cases where the policy covered more vehicles than operators.

[17] S & Y also proposed to adopt the language in the NSEF #39 in this application instead of its existing PRO endorsement. Given the relationship of the companies and their rates and risk-classification systems, the Board finds S & Y's

proposal reasonable and approves its adoption of the NSEF #39 language to replace its existing PRO endorsement on the same basis as this was recently approved for Aviva.

Underwriting and Rating Changes

[18] S & Y proposed changes to its underwriting and rating rules to make them identical to the approved rules for Aviva. Board staff reviewed these rules and recommended that the Board allow S & Y to adopt Aviva's rules. The Board so approves.

Automobile Insurance Manual

[19] S & Y did not provide an updated automobile insurance manual, or revised manual pages, because it proposed adopting the changes previously approved for Aviva along with the continuation of certain approved differences. The updated S & Y manual would be the current Aviva manual, changed to reflect these differences.

[20] Board staff reviewed the Aviva manual pages in its last filing, as well as the S & Y manual on file and found no areas where there appeared to be any violation of the *Regulations*. Although the Board would typically require an updated manual to be filed within 30 days of the release of its decision, given the nature of the changes in this application, the Board's ability to review the changes in the Aviva manual, the existing S & Y manual on file, and because S & Y has not yet entered the market in Nova Scotia, the Board finds that an updated manual is not required at this time. However, S & Y must provide the Board with an updated manual before an official market launch in the Province.

III SUMMARY

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

[22] The Board finds the proposed rates are just and reasonable, and approves the changes effective January 1, 2021, for new business.

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

[24] 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 S & Y Insurance Company for private passenger vehicles is October 1, 2022.

[25] S & Y does not need to file an updated Automobile Insurance Manual with the Board at this time but must file its updated manual before officially launching in the Nova Scotia insurance market.

[26] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 28th day of October, 2020.



Stephen T. McGrath