

DECISION

**2021 NSUARB 30
M09965**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by THE WAWANESA MUTUAL INSURANCE COMPANY for approval to change its endorsements for private passenger vehicles

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

APPLICANT: THE WAWANESA MUTUAL INSURANCE COMPANY

FINAL SUBMISSIONS: February 11, 2021

DECISION DATE: March 3, 2021

DECISION: Application is approved

I INTRODUCTION

[1] The Wawanesa Mutual Insurance Company applied to the Nova Scotia Utility and Review Board to change its endorsements for private passenger vehicles. The company proposes the introduction of a non-standard endorsement MCWE-NS Minor Conviction Waiver Endorsement.

[2] The Board must consider whether the proposed change to the endorsement offerings will result in rates and a risk-classification system that are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*. The Board is satisfied that Wawanesa's application meets these requirements and approves the proposed changes to the company's rates and risk-classification system.

II ANALYSIS

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

[4] Wawanesa proposes to introduce the non-standard MWCE-NS – Minor Conviction Waiver Endorsement. This endorsement will allow an eligible operator of a vehicle to waive the first minor conviction that occurs after the purchase date of the

endorsement. As a result, that minor conviction will not impact rating or increase premiums.

[5] To be eligible, an operator must be licensed for six or more years, have had no convictions of any kind and no licence suspensions in past years, and be listed as an operator of a vehicle that carries third party liability coverage.

[6] Should an operator, who purchased the endorsement, incur a minor conviction that is waived, the operator must continue to pay the endorsement premium in order to receive the benefits of the waiver. That is, if the endorsement premium is not paid, the previously waived conviction would then be used for rating and premium determination.

[7] If there are more than one eligible operator on a vehicle, each may purchase the endorsement to have their own first minor conviction waived. Each operator would pay their own endorsement premium. If one operator has a minor conviction, the other operators who purchased the endorsement would still be able to have their first minor conviction after the purchase date waived.

[8] Wawanesa will charge a premium that varies by the number of years licensed. Principal operators licensed for nine or more years will pay a lower premium than principal operators licensed for six to eight years. Wawanesa noted the group with fewer years licensed are four times more likely to have a minor conviction than the more experienced group and also pay a higher premium on average. The additional endorsement premium compensates Wawanesa for the additional risk. Inexperienced operators (i.e., Wawanesa's Class 06) will pay the same premium as principal operators licensed six to eight years.

[9] Wawanesa did not provide an actuarial analysis to support its proposed premiums. Instead, the company relied on observations of the premiums its competitors charged for similar endorsements. These observations suggested competitors premiums fell in a range of \$25 to \$40. Wawanesa selected its premiums so they fell in this range. Board staff noted the observed range was an accurate one.

[10] Because the endorsement uses non-standard wording, Wawanesa sought and received approval of its wording from the Superintendent of Insurance, as required.

[11] Board staff recommended approval of the proposed introduction of this endorsement and the proposed premium structure. The Board accepts this recommendation and approves the introduction of the MWCE-NS – Minor Conviction Waiver Endorsement.

III SUMMARY

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

[13] The Board finds the proposed changes to its endorsements will result in rates that are just and reasonable, and approves the changes effective June 1, 2021, for new business and renewal business.

[14] The application does not qualify to set a new mandatory filing date under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The mandatory filing date for Wawanesa for private passenger vehicles stays at November 1, 2022.

[15] Board staff reviewed Wawanesa'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 3rd day of March, 2021.



David J. Almon