

DECISION

**2024 NSUARB 9
M11415**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by **FACILITY ASSOCIATION** for approval to revise its underwriting and rating rules for commercial, private passenger and recreational vehicles

BEFORE: Jennifer L. Nicholson, CPA, CA, Member

APPLICANT: **FACILITY ASSOCIATION**

FINAL SUBMISSIONS: December 7, 2023

DECISION DATE: **January 18, 2024**

DECISION: **Application is approved**

I INTRODUCTION

[1] Facility Association applied to the Nova Scotia Utility and Review Board to revise its underwriting and rating rules for commercial, private passenger and recreational vehicles. These rule changes have no impact on rates.

[2] The Board must consider whether the proposed changes are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*. The Board is satisfied that Facility's application meets these requirements and approves the company's proposed rule changes.

II ANALYSIS

[3] Facility applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, Facility 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 Facility, who indicated they had no comments on the report.

[4] Facility recently conducted a review of its commercial vehicle rules. During that process, it uncovered changes that would impact commercial vehicles and other vehicles (private passenger vehicles and recreational vehicles).

[5] Facility made several administrative changes to improve its documents and processes. These changes had no impact on premiums. Facility said that where a change may appear to involve premium changes, the revision merely clarified or corrected the rule to reflect current practice.

[6] After reviewing the rules to determine if they indeed did not impact premium or risk-classification system changes, Board staff identified two rules that warrant further discussion.

[7] The Board will examine the following issues in this decision:

- Minimum Deductible Formula Changes;
- Accident Benefits for Home Made, Reconstructed, or Imported Right-Hand Drive Public or Recreational Vehicles.

Minimum Deductible Formula Changes

[8] For light commercial vehicles (under 4500 kg) that are assigned a rate group of 22 or more and for heavy commercial vehicles (over 4500 kg) valued at more than \$100,000, Facility uses a formula to assign the minimum deductible. The current formula is 5% of list price new rounded to the nearest \$250, subject to a minimum value of \$2,500 and a maximum value of \$5,000, for light vehicles and a minimum value of \$5,000 and maximum value of \$50,000 for heavy vehicles. Facility proposed changing the formula to “round up” to the nearest \$250 with the same minimum and maximum values as currently used.

[9] For example, suppose a heavy commercial vehicle had a list price new of \$122,000. The formula of 5% of list price new would produce a value of \$6,100 before rounding. The current formula would set the minimum deductible to \$6,000, while the proposed formula would set the deductible to \$6,250. Because the differentials for deductibles of more than \$5,000 are the same as the \$5,000 differential, the change results in no impact on premiums. However, the amount the client would have to pay in the event of a claim increases by \$250. Facility notes that despite the change, the revision merely clarifies that deductibles are to be rounded up.

[10] Board staff recommends the Board approve the proposed change to the minimum deductible formula. The Board agrees.

Accident Benefits for Home Made, Reconstructed, or Imported Right-Hand Drive Public or Recreational Vehicles

[11] Rules 329.A (public vehicles) and 432.A (recreational vehicles) deal with home-made vehicles, reconstructed vehicles and imported right-hand-drive vehicles. The rules state that for vehicles rated by value, a rate group of 10 is to be used for Accident Benefits. Facility proposed to remove this rule and replace it with a rule that will charge the normal Accident Benefits rate for the type of vehicle concerned.

[12] Removing the use of rate group 10 and replacing it with charging the normal rate looks like a risk-classification change that would impact premiums. However, Facility notes that for recreational and public vehicles it does not use rate groups. Instead, Facility would currently charge the normal rate for these vehicles. As a result, the revision to the rule merely clarifies the current practice and does not represent a risk-classification system change.

[13] Board staff recommends the Board approve the proposed changes to rules 329.A and 432.A. The Board agrees.

III SUMMARY

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

[15] Rather than picking a set date, Facility proposed an effective date, both for new business and renewals, which is 100 days after the Board approves the application, rounded to the 1st of the following month. Board staff suggests this effective date

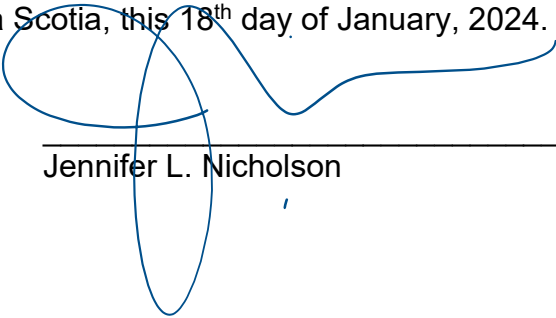
methodology is consistent with past Facility applications and should be approved. The Board agrees.

[16] The application does not qualify to set a new mandatory filing deadline for any of the vehicle classes that are impacted by the rule changes.

[17] Board staff reviewed Facility's proposed rule changes and the current on-line Automobile Insurance Manual filed with the Board and did not find any instances where the manual contravened the *Act* and *Regulations*. Within 30 days of the issuance of the Order in this matter, Facility must provide the Board with an electronic version of its manual, updated for the changes approved in this decision, either by filing it with the Board or posting the manual on Facility's website and alerting the Board to the posting.

[18] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 18th day of January, 2024.



Jennifer L. Nicholson