

DECISION

**2024 NSUARB 137
M11795**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

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

BEFORE: M. Kathleen McManus, K.C., Ph.D., Member

APPLICANT: **INSURANCE COMPANY OF PRINCE EDWARD ISLAND**

FINAL SUBMISSIONS: July 15, 2024

DECISION DATE: **July 24, 2024**

DECISION: **Application is approved.**

I INTRODUCTION

[1] On July 5, 2024, the Insurance Company of Prince Edward Island (ICPEI) applied to the Nova Scotia Utility and Review Board to change its rates and risk-classification system for private passenger vehicles. The company proposes underwriting and rating rule 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 ICPEI's application meets these requirements and approves the company's proposed rates and risk-classification system.

II ANALYSIS

[3] ICPEI applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, ICPEI received and responded to Information Requests (IRs) from Board staff. The company originally proposed changes to eight of its underwriting rules, but subsequently reduced its proposal to seven changes when it noted that one of the changes had been approved in a prior filing.

[4] 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 ICPEI. The company reviewed the report and informed Board staff that it agreed with the recommendations and had no further comments.

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

- Suspension of Coverage Endorsements (2 rule changes);
- Limited Waiver of Depreciation Endorsements (2 rule changes);
- At-Fault Accident Definition (1 rule change);

- Major Conviction Definition (1 rule change);
- Major Conviction Definition (1 rule change); and
- Reclassification of Distracted Driving Convictions (1 rule change).

Suspension of Coverage Endorsements (2 rule changes)

[6] When a client wants to suspend coverage for a period of time (such as when the vehicle is in storage, or the client will not be driving it), ICPEI uses NSEF#16 – Agreement for Suspension of Coverage to remove the coverage and NSEF#17- Reinstatement of Coverage to put the coverage back in place. The current NSEF#16 rule outlines a refund table that applies where the suspension is longer than 60 days. The refund is based on the number of half-months the vehicle has coverage suspended.

[7] To harmonize with other Atlantic provinces, ICPEI will remove the table and change the refund to be based on a pro-rated factor that is determined when the endorsement is added. That is, rather than refunding a portion of the premium when the coverage is reinstated, ICPEI will provide the credit when the coverage is suspended. This approach is more common in the industry.

[8] ICPEI will also modify the wording of NSEF#17 to remove the comment that there may be a return on premium if the coverage suspension via NSEF#16 was longer than 60 days. This change reflects that the refund is provided up-front rather than when the coverage is reinstated.

[9] Board staff finds the changes reasonable and recommends the Board approve them. The Board agrees.

Limited Waiver of Depreciation Endorsements (2 rule changes)

[10] ICPEI offers two Limited Waiver of Depreciation endorsements, namely NSEF#43R – Limited Waiver of Depreciation and NSEF#43R(L) – Limited Waiver of

Depreciation for Leased Vehicles. These endorsements waive the application of “actual cash value” and therefore waive depreciation, for loss from an incident (insured peril) during the first 30 months of delivery of the vehicle to the client, providing the client is the original owner. The company charges \$30 per vehicle carrying the endorsement but offers it for free to its “Maritime Finest” customers who meet the eligibility criteria (i.e., these are the best risks).

[11] ICPEI proposes to reduce the 30 months to 24 months to harmonize Nova Scotia with other Atlantic provinces. ICPEI noted the 24 months was a sufficient period to waive depreciation (other companies use this length of time) and that Prince Edward Island had already approved the 24 months. Also, the commercial vehicle version of the endorsements are already 24 months for the same premium.

[12] ICPEI proposed no change to the premium for the endorsement despite the reduction in coverage. The company explained the \$30 premium is for the stand-alone endorsement. ICPEI noted that the endorsement is rarely purchased on this basis, but rather it is purchased as part of a package and most often is provided free under the Maritime’s Finest coverage.

[13] Board staff recommends the Board approve the proposed change to the Limited Waiver of Depreciation Endorsements. The Board agrees.

At-Fault Accident Definition (1 rule change)

[14] ICPEI proposes a minor change to the definition of at-fault accident. Rather than referring to an occurrence where the insured or operator is deemed to be wholly or partially responsible and results in Third Party and/or Collision damage, ICPEI will change

Third Party to Bodily Injury, which is a component of Third Party. The change is made to align the wording across Maritime provinces.

[15] Board staff recommends the Board approve the proposed change to the at-fault accident definition. The Board agrees.

Major Conviction Definition (1 Rule Change)

[16] ICPEI defines a Major conviction as a conviction for any moving traffic offences, other than those specifically listed under Minor or Criminal Code, under any Act governing highway traffic and any offences substantially the same committed outside Canada. The company proposes changing the “specifically listed under Minor or Criminal Code convictions” to “specifically listed under Minor, Serious, or Criminal Code convictions”. The change aligns the definition with the names of the other conviction types in all Maritime provinces. The change has no impact on rates or risk-classification.

[17] Board staff recommends the Board approve the proposed change to the definition of Major conviction. The Board agrees.

Reclassification of Distracted Driving Convictions (1 rule change)

[18] ICPEI treats a conviction for distracted driving offences (i.e., using a cell phone or communication device (text) while operating a vehicle) as a Minor conviction. Having witnessed other insurers move to treating such convictions as Major convictions and having done so for commercial and interurban vehicles and having proposed the same change for miscellaneous vehicles in a concurrent application, ICPEI proposes to change the classification of these convictions to Major for new convictions. Any current convictions would continue to be treated as Minor.

[19] Major convictions attract a higher surcharge than Minor convictions. As a result, the reclassification results in more premium collected where the client has a new distracted driver conviction. ICPEI requires a risk with Major convictions in the past three years be referred to head office for assessment by underwriters before the company will accept the risk. The proposed change may lead to more risks being referred, to make sure the proper underwriting is done.

[20] Given the Board approved other companies to make this reclassification, as well as approving ICPEI to use it for commercial and interurban vehicles, Board staff recommends the Board approve the proposed reclassification of distracted driving convictions for these vehicles.

[21] As the Board has approved other companies to make this reclassification and for ICPEI to use it for commercial and interurban vehicles, Board staff recommends that the Board approve the proposed reclassification of distracted driving convictions for private passenger vehicles. The Board agrees.

III SUMMARY

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

[23] The Board finds the proposed rates are just and reasonable, and approves the changes effective September 1, 2024, for new business and for renewal business.

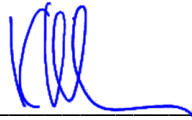
[24] The financial information supplied by ICPEI satisfies the Board, under Section 155I(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the company.

[25] 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 ICPEI for private passenger vehicles stays at March 1, 2025.

[26] Board staff reviewed ICPEI'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.

[27] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 24th day of July, 2024.



M. Kathleen McManus