

**DECISION**

**2024 NSUARB 177  
M11862**

**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**IN THE MATTER OF THE INSURANCE ACT**

**- and -**

**IN THE MATTER OF AN APPLICATION** by **ALLSTATE INSURANCE COMPANY OF CANADA** for approval to change its rates and risk-classification system for miscellaneous vehicles

**BEFORE:** Bruce H. Fisher, MPA, CPA, CMA, Member

**APPLICANT:** **ALLSTATE INSURANCE COMPANY OF CANADA**

**FINAL SUBMISSIONS:** September 11, 2024

**DECISION DATE:** **October 24, 2024**

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

## I INTRODUCTION

[1] Allstate Insurance Company of Canada applied to the Nova Scotia Utility and Review Board to change its rates and risk-classification system for miscellaneous vehicles, including all-terrain vehicles (ATVs), motorcycles, motorhomes, snowmobiles, and trailers. Allstate proposed base rate changes to its ATV rates that vary by coverage but not territory, as well as changes to the List Price New differentials. The combined impact of the two changes overall is 0.0%, however the impact by coverage varies. Allstate proposed leaving base rates unchanged for motorcycles, motorhomes, snowmobiles, and trailers.

[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 Allstate's application meets these requirements and approves the company's proposed rates and risk-classification system

## II ANALYSIS

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

### **Miscellaneous Vehicle Rates**

[4] To use a Section 155G – Prior Approval – Minor application, the annual written premium for each class of vehicle must be less than the Board’s threshold for those vehicles. Allstate’s threshold for ATVs, motorcycles, motorhomes and snowmobiles are less than the Board’s thresholds. Because the Board allows companies to use this type of application for trailers regardless of premium volume, Allstate is eligible for all vehicles in this application.

[5] Allstate compared its average premiums by coverage for 2023 to the 2022 industry average premiums as reported in the General Insurance Statistical Agency (GISA) exhibits. The Board must decide whether the comparative analysis supports the Allstate proposal to change its ATV rates while leaving its rates for other miscellaneous vehicles unchanged.

[6] Because the average premiums were close or comparable to the industry average premiums, Allstate concluded it did not need to alter premiums for motorcycles, motorhomes, and snowmobiles. Board staff concur with the company’s decision, noting any differences can be attributed to the different mix and volume of business written by Allstate relative to the industry.

[7] For all-terrain vehicles, the comparison showed the Allstate average premiums were comparable to the industry. However, in this filing, Allstate is also proposing to write higher List Price New vehicles (i.e., up to \$45,000). Allstate produced loss ratio relativities by coverage as compared to the overall loss ratio for these vehicles. While the overall loss ratio is low, the loss ratio for vehicles with List Price New more than \$20,000 is close to 100%. After considering these high loss ratios and the proposal to

expand the List Price New eligibility, Allstate proposed changes to its base rates and List Price New factors (discussed later). The results suggest rates should decrease for Bodily Injury, Property Damage-Tort, and Direct Compensation Property Damage (DCPD), while rates could rise for other coverages. Based on these observations, Allstate proposed changes to the base rates across all territories.

[8] Allstate also applied the Bodily Injury change to Uninsured Automobile and Family Protection Endorsement (SEF#44). The overall impact of the proposed base rate change is a small decrease.

[9] Because the industry average premium for trailers is not available, Allstate chose to leave these rates unchanged as well. The Board has allowed other companies to take similar stances in their applications for trailers.

[10] Allstate supported its proposal for all-terrain vehicle base rate changes and the proposal for no changes to base rates for the other miscellaneous vehicles. Board staff recommends the Board approve the proposal. The Board agrees.

### **Other Observations on the Application**

#### **Update of List Price New Differentials**

[11] Allstate observed it had poor loss ratios for ATVs with a List Price New of more than \$20,000. The loss ratios for these vehicles exceeded the overall loss ratio for the portfolio of all-terrain vehicles. Allstate proposed an increase in the differentials for ATVs with List Price New over \$20,000. The impact of the differential increase, in combination with the base rate change for all-terrain vehicles discussed earlier, results in no impact overall.

[12] Board staff recommends the Board approve the proposed changes to the List Price New differentials. The Board agrees.

Underwriting and Rating Rule Changes

[13] Allstate proposed changes to its underwriting and rating rules to recognize changes to the company's willingness to write certain risks.

[14] Allstate will increase the allowed List Price New for ATVs from \$40,000 to \$45,000. This change will align Nova Scotia with what the company allows in other provinces.

[15] Allstate also proposed a change to its eligibility criteria for writing motorcycles. The company will remove its current requirement for the motorcycle operator to have had a valid Class 5 private passenger vehicle (PPV) licence for a minimum of 10 years in addition to having either:

- a Class 6 licence (motorcycle) for a minimum of 10 years; or,
- a Class 5A licence (PPV with motorcycle endorsement) for three years. This requirement is reduced to one year if the operator has a Canada Safety Council Motorcycle Training Program certificate.

[16] The change will allow an operator with less than 10 years of experience with a PPV licence, or who does not have a PPV licence, to be eligible for a policy. Currently, that operator would not be eligible.

[17] The proposed changes align the Nova Scotia criteria with that used by Allstate in other markets. Neither change violates the *Insurance Act* or its *Regulations*. Board staff recommends the Board approve the proposed changes to underwriting and rating rules. The Board agrees.

### III SUMMARY

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

[19] The Board finds the proposed rates are just and reasonable, and approves the changes effective January 1, 2025, for new business and February 1, 2025, for renewal business.


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

[21] The Board's Section 155G – Prior Approval-Minor filing requirements do not require an actuarial analysis to reset the mandatory filing date. The Board allows comparisons of average rates by coverage to those of the industry to qualify to reset the filing date. The application thus qualifies to set a new mandatory filing date of August 1, 2027, for miscellaneous vehicles, under the *Mandatory Filing of Automobile Insurance Rates Regulations*.

[22] In addition to the rule changes, Allstate corrected its Automobile Insurance Manual to reflect that its Fire and Theft Deductible endorsement (NSEF#40) is available for all vehicle types. (The wording was omitted from the Manual in error and the revision does not reflect a change in approach for the endorsement). Board staff reviewed the Manual on file, and the proposed changes, and did not uncover any areas where Allstate appears to violate the Insurance Act or its 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.

[23] An order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 24<sup>th</sup> day of October, 2024.

  
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Bruce H. Fisher