DECISION **2024 NSUARB 8**
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NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF APPLICATIONS by **AVIVA INSURANCE COMPANY OF CANADA** and **TRADERS GENERAL INSURANCE COMPANY** for approval to change their rates for private passenger vehicles

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

APPLICANT: **AVIVA INSURANCE COMPANY OF CANADA**
TRADERS GENERAL INSURANCE COMPANY

FINAL SUBMISSIONS: December 19, 2023

DECISION DATE: **January 17, 2024**

DECISION: **The application is approved.**

I INTRODUCTION

[1] Aviva Insurance Company of Canada and Traders General Insurance Company applied to the Nova Scotia Utility and Review Board to change their rates for private passenger vehicles. Both companies proposed rate changes that vary by coverage and result in an overall increase of 5.0%.

[2] The Board must consider whether the proposed rates are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*. The Board is satisfied that both Aviva's and Traders' applications meet these requirements and approves the proposed changes to both company's rates.

II ANALYSIS

[3] Aviva and Traders (both owned by Aviva Canada) applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155H Expedited Approval (Rate Filing Requirements)*. Section 155H of the *Insurance Act* permits an insurer to apply for rates to be approved on an expedited basis if the average of the proposed rates for each coverage and category of automobile insurance does not exceed an amount that is prescribed by the Board. The Board currently allows expedited approval applications for changes to rates for private passenger vehicles that are less than or equal to 5% on an all coverages combined basis. Both company's proposed increases are 5%.

[4] Board staff reviewed the application and 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 Aviva and Traders. The companies reviewed the report and informed Board staff that it had no comments.

[5] Aviva and Traders relied on the residual of Board approved indications from their last filings (2022 NSUARB 159), updated for net trend (i.e., loss trend net of premium trend). Those indications are the appropriate ones to be used in this application. When determining the net trend, both companies relied on loss trends published by the Board's consulting actuary's December 2022 based report and premium trends derived from their own experience.

[6] The Board notes that the proposed overall increase requested by Aviva and Traders in these applications, when combined with the approved changes from their last filing, still results in lower rates than the Board-approved indications from the previous application would produce.

Changes to Base Rates

[7] In this application, Aviva proposed changes that varied by coverage. For all coverages, except the Family Protection Endorsement (SEF#44) where no change was made, Aviva proposed changes that were lower than indicated.

[8] The overall increase proposed by Traders is lower than the updated residual indication from the previous filing. For all coverages, except the Family Protection Endorsement, where no change was made, and PD-Tort where a slightly higher than indicated change was requested, Traders proposed changes that were lower than indicated.

[9] While for some coverages the proposed change exceeds 5%, the Board established the prescribed limit (i.e., 5%) on an overall basis and not on a coverage basis. Because the overall proposed changes are smaller than the residual indication, the return

on equity of the proposed rates, in combination with the previously approved rates, would remain well below the Board allowed 10% from the previous application.

[10] The proposed changes, therefore, follow the *Rate Filing Requirements* and Board Staff has recommended the approval of the rates proposed by Aviva and Traders in these applications. The Board agrees.

Years Licensed Differentials

[11] In their last filings the companies changed their years licensed differentials to make rates more competitive. They showed that new business for inexperienced drivers written after they introduced those new differentials was markedly higher than expected. The companies now view their rates as “too competitive” or “overly underpriced compared to the market” for these risks and proposed increases to the differentials for zero to four years licensed. They off-balanced the impact of the differential changes to make them revenue-neutral.

[12] Board staff recommended that these changes be approved, and the Board accepts this recommendation.

Discount Changes

[13] To attract more customers with both automobile insurance and property insurance, which they note is their target segment, the companies proposed changes to their Combined Policy Discount and Car and Home Discount.

[14] The Combined Policy Discount applies where the automobile policy and principal residence policy are combined in the same policy. Policies written in this manner reduce administration costs and allow the insured to co-ordinate renewals. The companies proposed increasing the discount from 10% to 15%.

[15] The Car and Home Discount applies when the insured has an automobile insurance policy and a homeowner, tenant, or condominium policy with the same company. The companies proposed increasing the current 10% level to 15%. This discount does not apply when the client is eligible for the Combined Policy discount.

[16] The companies off-balanced the impact of the proposed discount changes to make them revenue-neutral. Board staff recommended that these changes be approved, and the Board accepts this recommendation.

Endorsement Changes

[17] The companies also proposed changes to several endorsements. Endorsement changes are typically not allowed under a Section 155H application. Board staff, however, advised both companies to file these changes with their S155H application, thus avoiding multiple applications. This advice applies in the circumstances of these matters only. The Board decision on the endorsement changes is based on Section 155G, not Section 155H of the Act.

[18] The companies proposed the removal of NSEF#8 - Property Damage Reimbursement and NSEF#28 - Reduction of Coverage as Respects Operation by Named Person(s). The latter endorsement reduces coverage while the named person operates the vehicle. These changes harmonize its policies with the other Atlantic provinces. The companies noted they will still offer the NSEF#8A - Property Damage Reimbursement-Named Person and NSEF#28A - Excluded Driver, both of which are similar versions of the removed endorsements.

[19] The companies will extend their coverage for NSEF#43R - Limited Waiver of Depreciation and NSEF#43R(L) - Limited Waiver of Depreciation (Specified Lessee)

from the first 30 months after original delivery to 48 months. Also, instead of charging a flat premium that varies by the rate group assigned to the vehicle, the premium will vary by both rate group and by year of coverage. The premium will increase as the time since delivery of the vehicle increases, reflecting the higher depreciation that would be waived in the event of a total loss. The companies will also extend coverage to rate groups 55 to 64.

[20] To align their policies in Nova Scotia with those in other provinces, the companies will remove all limits under $1,500 or over $5,000 for NSEF#20 - Loss of Use Endorsement. Clients with a limit below $1,500 currently will renew at the $1,500 limit, while clients with limits in excess of $5,000 will renew at $5,000.

[21] To simplify their endorsement offerings, the companies will remove their Extra Value Option Endorsement, which bundles NSEF#20 – Loss of Use Endorsement and either NSEF#43R - Limited Waiver of Depreciation or NSEF#43R(L) - Limited Waiver of Depreciation, for a fixed premium. Clients can still purchase the individual endorsements to get the same coverage. The companies will allow current holders of the bundle to continue to purchase it at the current flat premium until the 30-month term is up. No new customers can purchase the endorsement.

[22] Board staff have also recommended that these endorsement changes be approved. The Board accepts this recommendation.

Automobile Insurance Manual Changes

[23] Neither Aviva nor Traders made any changes to their automobile insurance manual other than those required to implement the changes noted in this Decision. Board

staff reviewed the current manuals and found no areas where either company was in violation of the *Insurance Act* or its *Regulations.*

[24] Aviva and Traders must each provide a complete revised manual reflecting the proposed changes within 30 days of the issuance of this decision.

III SUMMARY

[25] The Board finds that the applications follow the *Act* and its *Regulations*, as well as the *Rate Filing Requirements*.

[26] The Board finds the proposed rates for both companies are just and reasonable, and approves the changes effective June 1, 2024 for both new and renewal business.

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

[28] An application for expedited approval under the *Rate Filing Requirements* does not qualify to set a new mandatory filing date under the *Mandatory Filing of Automobile Rates Regulations*. The mandatory filing date for Aviva and Traders for private passenger vehicles remains at August 1, 2024.

[29] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 17th day of January 2024.

Bruce H. Fisher