

DECISION

**2025 NSUARB 6
M11979**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by **CO-OPERATORS GENERAL INSURANCE COMPANY** for approval to change endorsements for Motorcycles and Mopeds

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

APPLICANT: **CO-OPERATORS GENERAL INSURANCE COMPANY**

FINAL SUBMISSIONS: November 25, 2024

DECISION DATE: **January 15, 2025**

DECISION: **Application is approved.**

I INTRODUCTION

[1] Co-operators General Insurance Company (Co-operators) applied to the Nova Scotia Utility and Review Board to change its endorsements for Motorcycles and Mopeds. The company proposed the extension of its non-standard Riding Gear Endorsement originally approved for all-terrain vehicles and motorized snow vehicles, to motorcycles and mopeds. Co-operators will also extend its Waiver of Depreciation Endorsement (i.e., Endorsement 43) to motorcycles and mopeds.

[2] The Board must consider whether the proposed changes to the endorsements 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 Co-operators' application meets these requirements and approves the proposed changes to the company's rates and risk-classification system.

II ANALYSIS

[3] Co-operators applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Endorsements (Rate Filing Requirements)*. 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 Co-operators. The company reviewed the report and informed Board staff that it had no comments.

Riding Gear Endorsement

[4] Co-operators received approval for its non-standard Riding Gear Endorsement, for all-terrain vehicles and motorized snow vehicles in 2024 NSUARB 156. The

endorsement provides coverage for clothing and accessories owned by any driver listed on the policy that are designed for the use and operation of the all-terrain vehicle or motorized snow vehicles. Clothing and accessories include, but are not limited to, helmets, eyewear, special purpose jackets, pants, suits, etc. The company will cover up to \$5,000 per occurrence for clothing and accessories that require replacement resulting from loss or damage caused by an insured incident or peril. However, if the gear is stolen but the vehicle itself is not stolen, the coverage under this endorsement does not apply. Co-operators will charge a premium for each vehicle upon which this endorsement is added.

[5] Because the endorsement uses non-standard wording, the company requested an approval of the wording from the Office of the Superintendent of Insurance. The Superintendent provided the required approval of the wording on June 10, 2024.

[6] The company proposes to extend the endorsement to motorcycles and mopeds. Co-operators will charge its proposed premium for each motorcycle or moped upon which this endorsement is added. That is, if the policy covers four of these vehicles, the total endorsement premium would be four times the proposed per vehicle premium. The company set the premium using nationwide data as Co-operators intends to use the endorsement, and the proposed premium, across the country.

[7] To determine the premium, the company determined an expected loss cost by selecting an expected frequency and severity of losses arising under the endorsement and then dividing that resultant loss cost by the permissible loss ratio. The company explained how it developed the expected frequency and severity of losses expected under the endorsement and how it determined the permissible loss ratio. The explanation and

the assumptions used to determine the premium seem reasonable. Co-operators noted that as experience emerges under the endorsement, it will revisit the underlying assumptions to reflect reality and will adjust them if necessary.

[8] This approach is consistent with how Co-operators determined its approved premium for all-terrain vehicles and snow vehicles. The higher proposed premium in this filing reflects the different and greater risks posed by motorcycles and mopeds.

[9] Board staff recommends the Board approve the proposed extension of the Riding Gear Endorsement to motorcycles and mopeds as well as the proposed vehicle premium. The Board agrees.

Waiver of Depreciation Endorsement (Endorsement 43)

[10] This endorsement provides optional coverage to protect buyers or lessees of new vehicles against the cost effects of depreciation only in the event of a total loss. That is, the endorsement waives the application of “actual cash value” and therefore, waives depreciation, for total loss arising from an incident (insured peril) for the first 60 months from the original purchase or lease date of the vehicle, assuming all other qualifications are met.

[11] Co-operators currently provides this endorsement to private passenger type vehicles, light farm/fishermen vehicles (class 033), light commercial vehicles, all-terrain vehicles, and snow vehicles. In this application, the company proposes adding motorcycles and mopeds to the list of eligible vehicles. The company saw an opportunity to diversify its automobile portfolio by growing its recreational vehicle portfolio. Offering this endorsement to these vehicles improves the product offering for these vehicles and will provide better protection for new vehicles that will become more expensive over time.

[12] To determine the premium for private passenger vehicles, Co-operators applies a premium factor, which varies by vehicle age, to the sum of the vehicle's premium for Collision, Comprehensive (or Specified Perils) and Direct Compensation Property Damage (i.e., the premium for physical damage coverages carried on the vehicle). The company will apply premium factors that are unique to motorcycles and mopeds. The company wants to extend the endorsement to motorcycles and mopeds.

[13] To develop the proposed factors, Co-operators determined the frequency of total losses by vehicle age and the severity of total loss claims by vehicle age. By multiplying these values, the company develops expected claims by vehicle age. By dividing these expected claims by the permissible loss ratio, the company determined the premiums required for the endorsement. The company then converted these premiums into premium factors to apply to the sum of the physical damage coverage premiums. The approach used to develop the premium factors seems reasonable and is consistent with the method used to develop the premium factors for all terrain vehicles and snow vehicles.

[14] Co-operators noted that the base rate for Specified Perils, which provides a subset of Comprehensive coverage, is usually lower than the Comprehensive base rates. The lower premium reflects the insured perils that are not covered under Specified Perils but are covered under Comprehensive. Because Endorsement 43 covers total losses only, Co-operators notes the premium for that endorsement should not vary based on whether the client selected Specified Perils or Comprehensive coverage. To address this, Co-operators added a factor for Specified Perils that would act to increase the premium to the Comprehensive level. Co-operators based the factor on the base rate difference between Specified Perils and Comprehensive Coverage.

[15] Because Co-operators uses the standard endorsement wording (i.e., NSEF#43R/43R(L)), the company did not require approval from the Office of the Superintendent of Insurance.

[16] Board staff recommends the Board approve the proposal to add motorcycles and mopeds to the eligible vehicles for this endorsement as well as the proposed premium factors. The Board agrees.

III SUMMARY

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

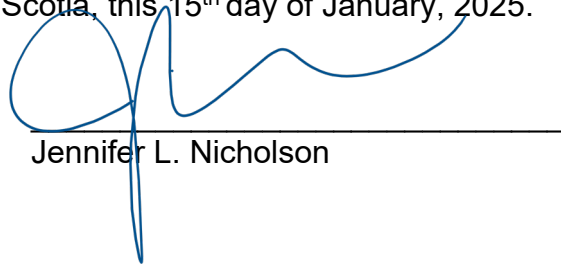
[18] The Board finds the proposed changes to its endorsements will result in rates that are just and reasonable, and approves the changes effective April 9, 2025, for new business and May 9, 2025, for renewal business.

[19] 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 Co-operators for motorcycles and mopeds remains on July 1, 2025.

[20] Board staff reviewed Co-operators' 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 Board's Order in this matter.

[21] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 15th day of January, 2025.



Jennifer L. Nicholson