

**DECISION**

**2024 NSUARB 95  
M11635**

**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**IN THE MATTER OF THE INSURANCE ACT**

**- and -**

**IN THE MATTER OF AN APPLICATION** by **ELITE INSURANCE COMPANY** for approval to change its rates and risk-classification system for motorhomes

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

**APPLICANT:** **ELITE INSURANCE COMPANY**

**FINAL SUBMISSIONS:** May 3, 2024

**DECISION DATE:** **June 7, 2024**

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

## I INTRODUCTION

[1] On April 2, 2024, Elite Insurance Company (Elite) applied to the Nova Scotia Utility and Review Board to change its rates and risk-classification system for motorhomes. The company proposes rate changes that vary by coverage and result in an overall increase of 2.5%. In addition to changes to rates, the company also asks the Board to approve the introduction of Collision, Comprehensive and Specified Perils, changes to deductibles and vehicle rate group factors and removal of accident surcharge and conviction surcharge. Elite also seeks to introduce rating variables for Motorhome Class and Motorhome Age, to remove two endorsements and to increase the minimum premium for motorhomes.

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

## II ANALYSIS

[3] Elite applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, Elite 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 Elite. The company reviewed the report and informed Board staff that, apart from a correction of an error, it had no further comments.

[4] Board staff examined all aspects of the ratemaking procedure to make the recommendations in the Staff Report. Board staff considers that Elite satisfactorily addressed all aspects of the ratemaking procedure in its application and IR responses.

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

- Proposed rate changes;
- Introduction of Collision, Comprehensive and Specified Perils;
- Deductible Changes;
- Vehicle Rate Group Factors;
- Changes to Surcharges;
- New Rating Variable – Motorhome Class;
- New Rating Variable – Motorhome Age;
- Removal of Endorsements;
- Change to Minimum Premium;
- Underwriting Rule Changes.

### **Proposed Rate Changes**

[6] Elite proposes an overall all-coverages combined rate level increase of 2.5%, prior to consideration of the change to minimum premium and the endorsement premium changes. Elite based its proposal on indications that suggested a smaller increase, but it was very close to the increase it proposed. The proposed rate changes follow the direction of the indications. Except for Bodily Injury and Direct Compensation Property Damage (DCPD), Elite proposed changes in rates smaller than the indicated increase. For Family Protection Endorsement (SEF#44) and Specified Perils, the company proposed no change in rates despite the indication for an increase. For Bodily Injury and DCPD, Elite proposed changes in rates slightly higher than indicated.

[7] Board staff recommends the Board approve the proposed base rate changes. The Board agrees.

### **Introduction of Collision, Comprehensive and Specified Perils**

[8] Elite currently only offers All Perils coverage for motorhomes. The company proposed the introduction of Collision, Comprehensive, and Specified Perils coverage. Any discounts that apply to All Perils will be extended to include the new coverages. When selecting base rates, Elite set the Collision and Comprehensive base rates equal to half the proposed All Perils premium. All Perils provides the same coverage as Collision and Comprehensive combined, so the sum of their base rates should equal the All Perils base rate. As future experience emerges, Elite may revisit the base rates in a future filing.

[9] For Specified Perils, Elite set the base rate equal to half of the Comprehensive base rate. This approach recognizes this coverage is a subset of Comprehensive.

[10] Board staff recommends the Board approve the introduction of these new physical damage coverages. The Board agrees.

### **Deductible Changes**

[11] The company proposed a new minimum deductible for All Perils, the rebasing of the differentials to the new minimum deductible and the introduction of a higher deductible for All Perils, Collision, Comprehensive and Specified Perils for motorhomes.

[12] Board staff recommends the Board approve the introduction of these deductible changes. The Board agrees.

### **Vehicle Rate Group Factors**

[13] Elite proposed to revise the vehicle rate group factor table to include higher vehicles values than are in its current table. The higher values would allow the company to write more expensive motorhomes. As Elite has written no vehicles with these higher values, there is no impact that requires off-balancing to ensure revenue-neutrality.

[14] Board staff recommends the Board approve the proposed revisions to the vehicle rate group factor table. The Board agrees.

### **Changes to Surcharges**

[15] Due to administrative system restrictions that necessitate the change, Elite proposed the removal of both its Accident Surcharge and Conviction Surcharge. Elite noted that few risks had an accident claim or a one minor conviction, and only one of these risks had a surcharge applied. As such, the impact of the removal is small.

[16] Board staff recommends the Board approve the removal of the Accident Surcharge and the Conviction Surcharge for motorhomes. The Board agrees.

### **New Rating Variable – Motorhome Class**

[17] Elite assigns one of three classes (i.e., A, B and C) to each motorhome it insures based upon the size and ease of maneuver. The company's current rating system does not distinguish premium between classes. Elite proposed the introduction of the Motorhome Class rating variable. Based on combined data all provinces except British Columbia and Quebec from 2016 to 2022, Elite determined the indicated differentials varied by class. The company proposed differentials that followed the indications but

were lower to reflect limitations of the one-way analysis used to develop indicated differentials (i.e., it does not recognize correlations of the new variable with other variables, which a more sophisticated multi-variate approach would do).

[18] Board staff recommends the Board approve of a new rating variable for the Motorhome Class. The Board agrees.

### **New Rating Variable – Motorhome Age**

[19] Elite noticed a clear pattern that shows loss costs decrease as the age of the motorhome increases for optional physical damage coverages. The company did not notice the same pattern for other coverages. To ensure the premium for optional physical damage coverages better reflects the risk the motorhome poses, Elite proposed the introduction of the Motorhome Age rating variable. The proposed differentials have no impact until the motorhome is ten years old. After that point the differential result in a decrease that increase at the next two five-year intervals after which it stays the same. Elite based the proposed differentials on a one-way analysis of combined data from all provinces except British Columbia and Quebec from 2016 to 2022. Elite again proposed differentials that provided lower discounts than indicated to acknowledge the limitations of the one-way analysis.

[20] Board staff recommends the Board approve the proposed introduction of the Motorhome Age rating variable and the proposed differentials. The Board agrees.

### **Removal of Endorsements**

[21] Elite proposed the removal of the NSEF#28 – Reduction of Coverage as Respects Operation by Named Operator endorsement. The company explained offering NSEF#28 and the NSEF#28A – Excluded Driver endorsement, caused confusion for brokers and clients as to which one to use. The proposed change aligns Elite with its sister company Aviva Insurance Company of Canada, who recently made the same change for private passenger vehicles.

[22] Elite will also remove the NSEF#39 – Accident Rating Waiver endorsement. The company explained that with the removal of the Accident Surcharge and with the motorhome rating not based on driving record, the endorsement provides no value to customers. Elite noted the removal of this endorsement. will result in a loss of premium that would lower the overall proposed increase from 2.5% to 1.4% increase (ignoring minimum premium changes) if the endorsement premium was included in the calculation.

[23] Board staff recommends that the Board approve the removal of NSEF#28 and NSEF#39 as proposed. The Board agrees.

### **Change to Minimum Premium**

[24] Elite proposed to increase the minimum premium to motorhomes because it is working towards harmonization for motorhomes. For minimum premium specifically, its goal is to charge the same minimum premium for all Atlantic provinces, believing that all expenses incurred should be similar among these provinces. Elite also noted the minimum premium has not changed in the past six years for Nova Scotia motorhomes. With inflation in mind, Elite believes the proposed new minimum premium to be reasonable.

[25] Elite noted the inclusion of the minimum premium change, would increase the proposed Bodily Injury change as well as the overall change. The overall change, excluding endorsement, would move from 2.5% to 3.3%.

[26] Board staff recommends the Board approve the proposed increase in minimum premium. The Board agrees.

### **Underwriting Rule Changes**

[26] Elite proposed changes to underwriting rules which includes, in part:

- requiring the applicant to be both registered owner and actual owner of the motorhome;
- declining a risk if the insured does not provide a residential address where the motorhome is garaged;
- requiring the insured to be a resident of Canada or planning to remain in Canada for at least one year;
- reducing the number of non-payment cancellations allowed to two in the past three years (down from three such cancellations);
- counting only serious or criminal code convictions in the last five years instead of the last six years
- declining any operator who had an alcohol related conviction in the last ten years; and,
- splitting the allowed number of at-fault accidents so that only one is allowed for an operator licensed for less than four years and two are allowed for an operator licensed for four or more years.

[27] None of the changes to declination rules (i.e., rules by which the company chooses to not write a policy) or other underwriting rules appear to violate the *Insurance Act* or its *Regulations*.

[28] Board staff recommends the Board approve the proposed changes to underwriting rules. The Board agrees.



### III SUMMARY

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

[30] The Board finds the proposed rates are just and reasonable, and approves the changes effective November 3, 2024, for new business and January 3, 2025 for renewal business.

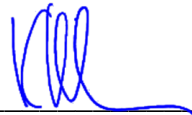
[31] The financial information supplied by Elite satisfies the Board, under Section 155I(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the company.

[32] The application qualifies to set a new mandatory filing date under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The new mandatory filing date for Elite for motorhomes is April 1, 2027.

[33] Board staff reviewed Elite'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.

[34] An order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 7<sup>th</sup> day of June, 2024.



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M. Kathleen McManus