

DECISION

**2024 NSUARB 154
M11800**

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 commercial vehicles, including interurban vehicles

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

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

FINAL SUBMISSIONS: August 12, 2024

DECISION DATE: **September 9, 2024**

DECISION: **Application is approved.**

I INTRODUCTION

[1] On July 11, 2024, Insurance Company of Prince Edward Island (ICPEI) applied to the Nova Scotia Utility and Review Board to change its rates and risk-classification system, specifically underwriting rules, for commercial vehicles, including interurban vehicles. The company proposes changes to ten of its underwriting rules.

[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 changes to its underwriting rules.

II ANALYSIS

[3] ICPEI applied under a simplified version of 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. 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 had no further comments.

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

- Binding Authority (1 rule change);
- Referral Risks (2 rule changes);
- Minimum Premium (1 rule change);
- Limited Waiver of Deprecation Endorsements (2 rule changes); and,
- Classification Changes (4 rule changes).

Binding Authority (1 rule change)

[5] ICPEI proposed a change to its binding authority to clarify its approach to extending the allowable 30-day window for a broker to file a complete, signed application for insurance, during which ICPEI provides coverage to the insured. Where more time is needed to file the application, ICPEI will now require the broker to send a formal extension request in writing and receive approval of that request from company underwriters before the coverage on the policy continues beyond the initial 30 days.

[6] Board staff recommends the Board approve the proposed binding authority change. The Board agrees.

Referral Risks (2 rule changes)

[7] These rule changes deal with what risks the company will write only after the agent refers the risk to the head office for review by underwriters.

[8] The first change will see ICPEI write right-hand drive vehicles only if such a vehicle is referred to an underwriter before coverage is bound. ICPEI noted that replacing these vehicles can be challenging due to their foreign origin. The company wants the vehicle to be referred so that the proper underwriting can be done. Should the underwriter agree to cover the vehicle, an appraisal no older than 12 months must accompany the signed application. The change will align Nova Scotia with other Maritime provinces and was made based upon a review of the competition.

[9] The second change will see ICPEI add vehicles where “Radar Detection Device” or “Low Alcohol Consumption” appears on the Motor Vehicle Record (MVR) to the list of risks that must be referred before binding. ICPEI explains carrying a Radar Detection Device is illegal in the Maritime provinces. The company notes that such a

conviction may carry a “moral risk”, in that it may reflect behaviour that could impact safety and compliance. Where a conviction appears for a driver operating a fleet vehicle, rather than their personal vehicle, ICPEI will have the risk referred for review. That review will allow ICPEI to consider the driver for coverage under a fleet policy but not on the client’s personal policy, should the company insure that vehicle as well.

[10] ICPEI also noted a history of convictions can be concerning. Seeing a “Low Alcohol Conviction” after a history of DUIs may suggest the insured continues to engage in drinking and driving. If “Low Alcohol Consumption” appears several times on the MVR, a question arises as to the risk posed by the applicant/insured. The referral will help the company assess the risk properly.

[11] As the rule changes do not violate the *Insurance Act* or its *Regulations*, Board staff recommends that the Board approve them. The Board agrees.

Minimum Premium (1 rule change)

[12] ICPEI currently requires the premium for a commercial vehicle to be at least equal to a selected minimum premium. The company proposed to increase the current minimum premium. ICPEI explained that managing multiple minimum premium policies at the current minimum puts too much strain on company resources. After accounting for commissions and other costs, ICPEI sees little profit from these low-value policies. The company views an increase to the proposed minimum as being a more sustainable approach to its offerings for these vehicles. ICPEI selected the new minimum as an appropriate amount after considering the cost of labour, administration fees, and other expenses.

[13] For clients who were insured with ICPEI before the effective date of the change, the minimum premium will remain at the current level. For any new business written after the effective date, the minimum premium will be the proposed level.

[14] Board staff recommends the Board approve the proposed minimum premium change. The Board agrees.

Limited Waiver of Depreciation Endorsements (2 rule changes)

[15] ICPEI offers two Limited Waiver of Depreciation endorsements, Limited Waiver of Depreciation (NSEF#43R) and Limited Waiver of Depreciation for Leased Vehicles (NSEF#43R(L)). These endorsements waive the application of “actual cash value” and therefore waive depreciation, for total loss from an incident (insured peril) for the first 24 months of delivery of the vehicle to the client, providing the client is the original owner. The company charges a flat premium per vehicle carrying the endorsement.

[16] ICPEI currently does not allow the endorsement to be added on heavy commercial vehicles, miscellaneous vehicles, trailers, and hearses (class 75). The company proposed this rule change to clarify this current practice to make the Manual clear as to what vehicles are not eligible and to align the Nova Scotia wording with that used in other Maritime provinces.

[17] Board staff recommends the Board approve the proposed changes to the Limited Waiver endorsements section of the Manual. The Board agrees.

Classification Changes (4 rule changes)

[18] The first two proposed classification changes will clarify that ICPEI treats Other than Farm Tractors as Class 54 and not as Class 55. ICPEI noted these references

to these vehicles as Class 55 in the Manual are typographical errors. As a result, these two error corrections have no impact.

[19] The third proposed change addresses the rule that requires a pick-up truck equipped with a blade (e.g., snowplow blade) to be subject to an additional annual charge. Instead of only identifying pick-up trucks, ICPEI will apply the additional annual charge to any vehicle with a blade equipped. ICPEI explained that vehicles other than pick-up trucks (e.g., large dump trucks) can have blades attached and the company wants to collect the extra premium to reflect the additional risk. ICPEI noted that currently if the company becomes aware of the blade being attached to such a vehicle, the company will apply the additional annual charge.

[20] The final proposed change adds a note that Class 75 – Funeral Carriages/Hearses will be rated using 75% of the Class 07 (i.e., business class) for Bodily Injury, Property Damage and Accident Benefit Coverages. The company proposed the change to align the premium calculation in all Maritime provinces.

[21] Board staff recommends the Board approve the proposed classification changes. The Board agrees.

III SUMMARY

[22] The Board finds that the application follows the *Act* and *Regulations*, as well as the *Rate Filing Requirements*. The Board finds the proposed rates are just and reasonable and approves the changes to its underwriting rules effective October 1, 2024.

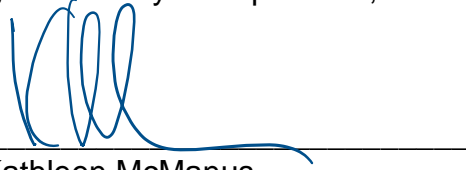
[23] The application does not qualify to set a new mandatory filing date under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The mandatory filing

date for ICPEI for commercial vehicles, including interurban vehicles, stays at May 1, 2025.

[24] 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.

[25] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 9th day of September, 2024.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke at the end, positioned above a horizontal line.

M. Kathleen McManus