

DECISION

**2024 NSUARB 170
M11878**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by **SECURITY NATIONAL INSURANCE COMPANY** for approval to change its underwriting and rating rules for individually rated commercial vehicles

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

APPLICANT: **SECURITY NATIONAL INSURANCE COMPANY**

FINAL SUBMISSIONS: September 16, 2024

DECISION DATE: **October 10, 2024**

DECISION: **Application is approved.**

I INTRODUCTION

[1] On September 6, 2024, Security National Insurance Company applied to the Nova Scotia Utility and Review Board to change its rates and risk-classification system, specifically underwriting and rating rules for individually rated commercial vehicles. The company proposed changes primarily for when it could decline business that it feels is too risky.

[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 Security National's application meets these requirements and approves the company's proposed changes to its underwriting and rating rules.

II ANALYSIS

[3] Security National 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, Security National 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 Security National. The company reviewed the report and informed Board staff that it had no further comments.

[4] Security National recently received the Board's approval of proposed changes to its rates and risk-classification system for individually rated commercial vehicles (2024 NSUARB 153). This application seeks to revise the underwriting and rating rules used for

those vehicles. The proposed changes are mainly about the company's rules for declining business. Several of the proposed new rules clarify the company's current practice. For example, the decline rules added for vehicles driving in the USA make clear the maximum percentage of total mileage that the vehicle can be driven in the USA and the maximum distance into the USA a vehicle can go in order for the company to insure the risk.

[5] The company will reduce the maximum number of minor convictions in the last three years from the current six to the proposed four. The new rules will decline a risk if the named insured has four or more minor convictions in the past three years or if any driver of the vehicle has four or more minor convictions in the past three years. The new decline rule will not apply, however, if all drivers with four or more convictions in the past three years are excluded or restricted from the policy. The company received input from its Sales and Service team who stated that, compared to other competitors, Security National was too flexible with the maximum allowable convictions. The company determined the use of four convictions was more in line with its major competitors. While there are few risks with four or more minor convictions, the company wants to address the misalignment with industry.

[6] Security National will also alter its acceptability of at-fault losses in a given period. Security National will also alter its acceptability of at-fault losses in a given period. The new rules will see the company decline the risk if the named insured has had two or more at-fault losses in the past three years or if any driver of the vehicle has had two or more at-fault accidents. The new decline rule will not apply, however, if all drivers with two or more at-fault accidents are excluded or restricted from the policy.

[7] The company will also add a rule to decline risks with a combination of two or more at-fault losses in the last six years and four or more convictions in the last three years. Under the current manual, Security National would decline a risk with one or more at-fault losses and three or more minor convictions in the past three years. The company explained that the industry looks at at-fault losses over the last six years (as allowed under *Regulations*) rather than the shorter three-year period currently used by Security National. The change aligns the company with general industry practice.

[8] Finally, Security National will also decline a policy if there is only one listed driver and that driver does not hold a valid driver's licence. None of these proposed changes violate the *Insurance Act* or its associated *Regulations*.

[9] Security National noted that there is no impact of the proposed change on an existing client, who otherwise would be impacted by the proposed changes. That is, if a current client had five minor convictions in the past three years, despite the new rule that would decline the risk, the client will be able to obtain a policy.

[10] Board staff recommends the Board approve the proposed changes to the underwriting and rating rules. The Board agrees.

III SUMMARY

[11] 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 effective December 15, 2024, for new business and February 16, 2025, for renewal business.

[12] 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 Security National for commercial vehicles stays at August 1, 2027.

[13] Board staff reviewed Security National's Automobile Insurance Manual filed with the Board as well as the proposed changes 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.

[14] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 10th day of October, 2024.



M. Kathleen McManus