DECISION **2025 NSUARB 21**
M11988

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by **TD INSURANCE GROUP** for approval to change its rates and risk-classification system for private passenger vehicles

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

APPLICANT: **TD INSURANCE GROUP**

FINAL SUBMISSIONS: December 9, 2024

DECISION DATE: **January 30, 2025**

DECISION: **Application is approved.**

I INTRODUCTION

[1] On November 27, 2024, TD Insurance Group (TD) applied to the Nova Scotia Utility and Review Board to change its rates and risk-classification system for private passenger vehicles. TD represents Security National Insurance Company, Primmum Insurance Company, and TD Home and Auto Insurance Company. The company proposes rate changes that vary by coverage and result in an overall increase of 0.7%.

[2] TD also asks the Board to change its physical damage deductible, remove its All Perils factor, modify its Multi-Line Discount, revise its Average Time Since an At-Fault Claim rating variable, change its Territorial differentials, and adjust its renewal premium capping boundaries.

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

II ANALYSIS

[4] TD applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval* (*Rate Filing Requirements*). Since the filing of this application, TD 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 TD. The company reviewed the report and informed Board staff that it agreed with the recommendations and had no further comments.

[5] Board staff examined all aspects of the ratemaking procedure to make the recommendations in the Staff Report and suggested that the Board further review certain issues. Board staff considers that TD satisfactorily addressed all other aspects of the ratemaking procedure in its application and IR responses.

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

- Proposed rate changes;
- Changes to the physical damage deductible;
- Removal of the All Perils factor:
- Changes to the Multi-Line Discount;
- Changes to the Average Time Since an At-Fault Claim rating variable;
- Changes to the Territorial differentials; and,
- Changes to the renewal premium capping boundaries.

Proposed Rate Changes

[7] TD proposed changes to its current rates and risk-classification systems that vary by coverage. The changes are uniform by territory and result in an overall rate level increase of 0.7%. This change includes an overall proposed base rate increase of 5% which varies by coverage. These base rate changes are then offset by the proposal to raise the recommended deductible for physical damage coverages to $1,000, with the option to have a $500 deductible. TD will no longer offer any deductible levels below $1,000, other than this $500 option. The impact on premiums of the clients' changed deductibles will not be off-balanced, but instead it is allowed to flow through to bring the overall change to the 0.7% increase.

[8] TD based the proposed changes on Board approved indications used in its last filing. The proposed increase, excluding the impact of the deductible changes, is lower than the residual difference between the approved rates from the last filing

combined with the recent Canadian Loss Experience Automobile Rating (CLEAR) table change filing and the Board indications from the previous filing.

[9] TD used the Board-approved indications from the previous filing, which are the appropriate indications to use for this application. As 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] Board staff recommends the Board approve the proposed rate changes. The Board agrees.

Physical Damage Deducible Changes

[11] TD proposes to simplify its deductible offerings for physical damage coverages (i.e., Collision, Comprehensive, Specified Perils and All Perils) by removing the administrative cost of handling small claims and to provide a better pricing experience for clients. Higher deductibles generally attract lower premiums. By using higher deductibles, TD will relieve some of the rate pressure experienced by clients.

[12] TD proposes to reduce the deductible offerings below $1,000 to a single $500 option. All other options currently available (i.e., $50, $100, $200, $250, and $750) will be removed. After May 28, 2025, TD intends to renew all existing clients, with a deductible of less than $1,000, to the recommended $1,000 level. TD will charge these clients the lower associated premium. Clients who want a lower deductible can apply for the $500 option through TD’s phone channel or its Digital Servicing Platform. The client renewal packages, which are sent 45-60 days in advance of the renewal date, will provide

appropriate communication regarding the deductible change and the ability of the client to apply for a lower deductible, if they believe the $1,000 level is too high.

[13] For vehicles on TD's most stolen vehicle's list, the company will set the recommended deductible to $1,500 to reflect the extra risk posed by these vehicles. A client whose policy includes the most stolen vehicle surcharge can apply for a lower deductible using the process noted above.

[14] TD states that this approach for renewals aligns with its overall deductible strategy as new business clients will see a recommended deductible of $1,000 at the point of sale. TD did not off-balance the expected impact of this change but instead allowed it to flow through to the overall impact. This approach lowers the proposed 5% overall change to a 0.7% increase.

[15] Board staff recommends the Board approve the proposed change to the deductible offerings, including the recommended deductibles of $1,000 for vehicles other than those on the most stolen list, where the recommended deductible will be $1,500. The Board agrees.

Removal of All Perils Factor

[16] TD offers All Peril coverage which provides the combined benefits of Collision and Comprehensive. The Company encourages clients to purchase this coverage and in so doing have the same deductible for Collision and Comprehensive claims under this coverage, rather than purchasing the individual coverages with different deductibles. For these combined benefits, TD currently charges the Collision premium plus 95% of the Comprehensive premium.

[17] As will be discussed later in this decision, with the changes to the deductible offerings, more clients would have the same deductibles for the combined two coverages without receiving the benefit of the lower All Perils premium (i.e., not having the All Perils factor apply). TD proposes removal of the All Perils factor, so that all clients in this situation would pay the same premium for the same coverage.

[18] TD included the small impact of this change along with the other changes, excluding the deductible changes, and off-balanced the total to make these changes revenue-neutral.

[19] Board staff recommends the Board approve the proposed removal of the All Perils factor. The Board agrees.

Modification of its Multi-Line Discount

[20] TD offers the Multi-Line discount when a client has an automobile insurance policy as well as a property policy (e.g., homeowner, tenant, or condominium policy). The discount is 10% on all coverages. The goal of this discount is to reflect the reduction in expenses because it is cheaper to add a product to an existing account and to recognize the better loss experience for clients with both automobile and property policies insured by TD. The discount also helps with the retention of clients, which further reduces expenses.

[21] TD conducted an analysis that showed the experience of clients with a homeowner policy is better than another form of property policy. The company says that this result together with the higher fixed expense ratios associated with lower premium tenants' and condominium owner's policies warrant a lower discount. TD proposes to leave the discount at 10% where the property policy is a homeowner's policy and lowering

the discount to 5% for other property policies. TD included the impact of this change in the total impact that was off-balanced to make the changes revenue-neutral.

[22] Board staff recommends the Board approve the proposed modification of the Multi-Line Discount. The Board agrees.

Average Time Since At-Fault Claim Rating Variable Revision

[23] The TD loss ratio analysis of accident years 2019 to 2023 revealed that the loss experience for drivers with one year since an at-fault accident is higher than suggested by the current differentials. This results in a cross-subsidy from the “lower risk” no conviction group to the “higher risk groups.”

[24] The TD rating algorithm includes a variable that reflects the average time elapsed since an at-fault accident. The differentials reflect the observation that the claims experience gets better the longer the average time since an at-fault accident. The company proposes changes to the variable to better align the differentials with the analysis. The changes varied by coverage and by the average time since the last at-fault accident. The changes tended to follow the indications, but TD used actuarial judgment to alter them to prevent anomalies where the premium increased even though the average time since an at-fault accident increased. TD included the impact of this change in the total impact that was off-balanced to make the changes revenue-neutral.

[25] Board staff recommends the Board approve the proposed differential changes for the Average Time Since At-Fault Claim Rating Variable. The Board agrees.

Territorial Differential Changes

[26] TD used the loss ratio analysis to determine the indicated differentials for each of its territories for each coverage where territory is a rating variable. Based on this

analysis, TD proposes changes to territorial changes generally in those territories with larger indicated changes. Following its gradual approach to rate changes, TD proposes changes that are lower than indicated.

[27] TD did not propose any changes to its territory definitions, just the territorial differentials. TD included the impact of the territorial differential changes in the total impact that was off-balanced to make the changes revenue-neutral.

[28] Board staff recommends the Board approve the proposed changes to the territorial differentials. The Board agrees.

Renewal Premium Dislocation Capping Mechanism

[29] The Company proposes to continue using the current Board approved renewal premium dislocation capping mechanism but with a revised limit on renewal premium increases where no new at-fault accidents have occurred.

[30] TD’s current cap limits any renewal premium increase to 20% and any renewal premium decrease to -5%, unless an at-fault accident occurs. If an at-fault accident occurs, the upper bound increases to +40%. TD proposed to change the 20% to 10% for renewal premium increase, while leaving all other limits unchanged.

[31] To use a negative cap (i.e., a cap on renewal premium decreases), the Board requires the company to collect no more premium on the cap on renewal premium decreases than it would be foregoing from the cap on renewal premium increases. TD provided evidence to show it met this requirement.

[32] Board staff recommends the Board allow the continued use of the renewal premium dislocation capping mechanism with the proposed lower limit on renewal premium increases. The Board agrees.

III SUMMARY

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

[34] The Board finds the proposed rates are just and reasonable, and approves the changes effective April 11, 2025, for new business and May 28, 2025, for renewal business.

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

[36] 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 TD for private passenger vehicles stays at November 1, 2025.

[37] Board staff reviewed TD'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.

[38] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 30th day of January, 2025.

M. Kathleen McManus