

DECISION

**2024 NSUARB 7
M11477**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by AVIVA GENERAL INSURANCE COMPANY OF CANADA for approval to change its rates for private passenger vehicles

BEFORE: Bruce H. Fisher, MPA, CPA, CMA, Member

APPLICANT: AVIVA GENERAL INSURANCE COMPANY OF CANADA

FINAL SUBMISSIONS: December 19, 2023

DECISION DATE: January 16, 2024

DECISION: The application is approved.

I INTRODUCTION

[1] Aviva General Insurance Company of Canada (Genco) applied to the Nova Scotia Utility and Review Board to change its rates for private passenger vehicles. The company proposed rate changes that vary by coverage and result in an overall increase of 5.0%.

[2] The Board must consider whether the proposed rates are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*. The Board is satisfied that Genco's application meets these requirements and approves the proposed changes to the company's rates.

II ANALYSIS

[3] Genco applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155H Expedited Approval (Rate Filing Requirements)*. Section 155H of the *Insurance Act* permits an insurer to apply for rates to be approved on an expedited basis if the average of the proposed rates for each coverage and category of automobile insurance does not exceed an amount that is prescribed by the Board. The Board currently allows expedited approval applications for changes to rates for private passenger vehicles that are less than or equal to 5% on an all coverages combined basis. The company's proposed increases are 5%.

[4] Board staff reviewed the application and 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 Genco. The company reviewed the report and informed Board staff that it had no comments.

[5] Genco relied on the residual of Board approved indications from its last filing (2022 NSUARB 185), updated for net trend (i.e., loss trend net of premium trend). Those indications are the appropriate ones to be used in this application. When determining the net trend, the company relied on loss trends published by the Board's consulting actuary's December 2022 based report and premium trends derived from their own experience.

[6] The Board notes that the proposed overall increase requested by Genco in this application, when combined with the approved changes from its last filing, still results in lower rates than the Board-approved indications from the previous application would produce.

Changes to Base Rates

[7] In this application, Genco proposed changes that varied by coverage. For all coverages, except the Family Protection Endorsement (SEF#44) where no change was made, and Specified Perils, where the change was chosen to match Comprehensive, Genco proposed changes that were lower than indicated.

[8] While for some coverages the proposed change exceeds 5%, the Board established the prescribed limit (i.e., 5%) on an overall basis and not on a coverage basis. The proposed changes, therefore, follow the *Rate Filing Requirements* and Board Staff has recommended the approval of the rates proposed by Genco in this application. The Board agrees.

Years Licensed Differentials

[9] In its last filing, Genco changed its years licensed differentials to make rates for inexperienced drivers more competitive. Genco stated that new business for inexperienced drivers, written after it introduced those new differentials, was markedly

higher than expected. Genco now views their rates as “too competitive” or “overly underpriced compared to the market” for these risks and proposed increases to the differentials for zero to four years licensed. Genco off-balanced the impact of the differential changes to make them revenue-neutral.

[10] Board staff recommended that these changes be approved, and the Board accepts this recommendation.

Discount Changes

[11] To attract more customers with both automobile insurance and property insurance, which Genco notes is its target segment, the company proposed changes to its Combined Policy Discount.

[12] The Combined Policy Discount applies where the automobile policy and principal residence policy are combined in the same policy. Policies written in this manner reduce administration costs and allow the insured to coordinate renewals. Genco proposed increasing the discount from 10% to 15%.

[13] Genco off-balanced the impact of the proposed discount change to make it revenue-neutral. Board staff recommended that this change be approved, and the Board accepts this recommendation.

Endorsement Changes

[14] Genco proposed changes to several endorsements. Endorsement changes are typically not allowed under a Section 155H application. Board staff, however, advised the company to file these changes with this S155H application, thus avoiding multiple applications. This advice applies in the circumstances of this matter only. The Board

decision on the endorsement changes is based on Section 155G, not Section 155H of the Act.

[15] Genco proposed the removal of NSEF#8 - Property Damage Reimbursement. This change harmonizes its offerings with the other Atlantic provinces. Genco noted it will still offer the NSEF#8A - Property Damage Reimbursement-Named Person, which is a similar version of the removed endorsement.

[16] Genco will extend its coverage for NSEF#43R - Limited Waiver of Depreciation and NSEF#43R(L) - Limited Waiver of Depreciation (Specified Lessee) from the first 24 months after original delivery to 48 months. Also, instead of charging a flat premium that varies by the rate group assigned to the vehicle, Genco will vary the premium by both rate group and by year of coverage. The premium will increase as the time since delivery of the vehicle increases, reflecting the higher depreciation that would be waived in the event of a total loss. Genco will also extend coverage to rate groups 55 to 64.

[17] To align its Nova Scotia endorsement with other provinces, Genco will remove all limits under \$2,000 for NSEF#20 - Loss of Use Endorsement. Clients with a limit below \$2,000 currently will renew at the \$2,000 limit.

[18] Genco will amend its 2/27 endorsement bundle that provides NSEF#2 – Drive Other Automobiles and NSEF#27 – Legal Liability for Damage to Non-Owned Vehicles coverage. Genco will remove the \$50,000 limit for NSEF#27 to align Nova Scotia with other Atlantic provinces. Current policies with the \$50,000 limit will be renewed at the \$75,000 limit.

[19] Genco will also amend its 2/27/20 bundle that includes NSEF#2, NSEF#27, and NSEF#20 in a package. Consistent with changes to NSEF#20 and the 2/27 bundle, Genco will remove limits for NSEF#20 below \$2,000 and the \$50,000 limit for NSEF#27.

[20] Genco off-balanced the impact of the endorsement changes to make them revenue-neutral.

[21] Board staff have also recommended that these endorsement changes be approved. The Board accepts this recommendation.

Automobile Insurance Manual Changes

[22] Genco made no changes to its automobile insurance manual other than those required to implement the changes noted in this Decision. Board staff reviewed the current manual and found no areas where either company was in violation of the *Insurance Act* or its *Regulations*.

[23] Genco must provide a complete revised manual reflecting the proposed changes within 30 days of the issuance of this decision.

III SUMMARY

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

[25] The Board finds the proposed rates are just and reasonable, and approves the changes effective June 15, 2024, for both new and renewal business.

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

[27] An application for expedited approval under the *Rate Filing Requirements* does not qualify to set a new mandatory filing date under the *Mandatory Filing of Automobile Rates Regulations*. The mandatory filing date for Genco for private passenger vehicles remains October 1, 2025.

[28] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 16th day of January 2024.



Bruce H. Fisher