

**DECISION**

**2024 NSUARB 24  
M11496**

**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**IN THE MATTER OF THE INSURANCE ACT**

**- and -**

**IN THE MATTER OF AN APPLICATION** by **DEFINITY INSURANCE COMPANY** for  
approval to change its rates for miscellaneous vehicles

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

**APPLICANT:** **DEFINITY INSURANCE COMPANY**

**FINAL SUBMISSIONS:** January 23, 2024

**DECISION DATE:** **February 9, 2024**

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



## **I INTRODUCTION**

[1] On December 27, 2023, Definity Insurance Company (Definity) applied to the Nova Scotia Utility and Review Board to maintain its current rates for snow vehicles, motorhomes, and trailers and change its rates for motorcycles. The company proposes rate changes that vary by coverage and result in an overall increase of 15%. The company proposed no changes to its risk-classification system.

[2] Definity had a mandatory filing date of November 1, 2023, but the Board extended that deadline to February 1, 2024, at the request of the company.

[3] 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 Definity's application meets these requirements and approves the company's proposed rates.

## **II ANALYSIS**

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

[5] The Board will decide whether the comparative analysis of the company's average premiums to the industry's average premiums supports the Definity decision to



maintain its rates for snow vehicles, motorhomes, and trailers and increase its rates for motorcycles.

### **Proposed Rate Changes**

[6] Definity's application did not include actuarial analysis. Definity, instead, provided comparisons of its average premiums to industry average premiums. The Board allows this approach to meet mandatory filing requirements for small books of business.

[7] The small volume of these miscellaneous vehicles does not allow for a meaningful actuarial analysis of indicated rate level need. Accordingly, Definity compared its overall average premiums as of December 31 for the years 2018-2022, to the overall industry average premium as published by the General Insurance Statistical Agency (GISA). The comparison showed that for 2018-2022, Definity premiums were lower than the industry average.

[8] Definity noted that its premiums were underpriced for Accident Benefits and Direct Compensation Property Damage consistently for all years in the five-year period. Definity targeted increases for these coverages only, leaving other rates unchanged. The proposed changes bring the Definity average premium to the industry levels for each of these coverages. The selected changes combined produced the overall 15% increase.

[9] In response to an information request, Definity provided a table showing the relationship between its average premiums and industry average premiums by coverage. The comparisons confirmed the company observations for Accident Benefits and Direct Compensation Property Damage coverages where it proposed changes.

[10] Given the overall average premiums were reasonably close and given the underpricing of the two specific coverages, one would expect that Definity's average



premiums would be higher than the industry average premiums for the other coverages. The table did confirm this result.

[11] Definity explained that taking any rate decreases for some of the other coverages would mean higher rate increases for others, which would worsen rate inadequacy.

[12] Definity's goal was to bring the average premium more in line with industry and to address the higher inflation and supply shortages that have driven up physical damage claims.

[13] The overall premium comparisons provide comfort that the proposed rates are appropriate in the circumstances and do not result in an unreasonable change in the overall premium.

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

### **III SUMMARY**

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

[16] The Board finds the proposed rates are just and reasonable, and approves the changes effective April 4, 2024, for new business and June 8, 2024, for renewal business.

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

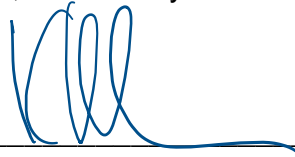


[18] The application qualifies to set a new mandatory filing date under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The new mandatory filing date for Definity for miscellaneous vehicles is December 1, 2026.

[19] Board staff reviewed Definity's Automobile Insurance Manual filed with the Board and did not find any instances where the Manual contravened the *Act* and *Regulations*. As Definity is only changing its rates and rates are not included in the automobile insurance manual, the Board does not require Definity to file an updated manual in its Decision for this matter.

[20] An order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 9<sup>th</sup> day of February, 2024.



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M. Kathleen McManus