

DECISION

**2019 NSUARB 150
M09451 and M09453**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT



- and -

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

- and -

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

BEFORE: Roberta J. Clarke, Q.C., Member

APPLICANTS: **NOVEX INSURANCE COMPANY**
TRAFalgar INSURANCE COMPANY OF CANADA

FINAL SUBMISSIONS: October 30, 2019

DECISION DATE: November 7, 2019

DECISION: Applications are approved as modified.

I INTRODUCTION

[1] Novex Insurance Company and Trafalgar Insurance Company of Canada applied to the Nova Scotia Utility and Review Board to change their respective endorsements for private passenger vehicles. The companies are sister companies of Intact Insurance Company. The companies proposed changes to several standard endorsements as well as endorsement bundles they offer. Novex also proposed changes to the pricing and wording of its non-standard Responsible Driver Guarantee endorsement. Trafalgar proposed to change its Driving Record Protector endorsement to a Responsible Driver Guarantee which would be the same as that proposed by Novex.

[2] The Board must consider whether the proposed changes to the endorsements will result in rates and risk-classification systems that are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*. The Board is satisfied that the applications meet these requirements and approves the proposed changes to each company's rates and risk-classification system, except for the proposed pricing changes for the non-standard Responsible Driver Guarantee endorsement. Once the Superintendent of Insurance has approved the wording changes, the companies may apply to the Board for approval of the pricing changes.

II ANALYSIS

[3] Novex and Trafalgar applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Endorsements (Rate Filing Requirements)*. Since the filing of the applications, Trafalgar received and responded to Information Requests from Board staff. Board staff prepared a report to the Board with recommendations on

the applications (Staff Report). Before providing the Staff Report to the Board, Board staff shared it with both companies. The companies reviewed the report and informed Board staff that they agreed with the recommendations.

Standard Endorsement Changes

[4] Novex and Trafalgar proposed changes to the following standard endorsements:

- NSEF #16 – Agreement for Suspension of Coverage and NSEF #17 – Reinstatement of Coverage – under NSEF #16, when a vehicle is being withdrawn from use as agreed by the insured and the company, all coverages except Comprehensive are suspended. To reinstate coverage, NSEF #17 must be signed. The proposed change will result in the return of a pro-rated premium on the date of the NSEF #16, rather than the date of the NSEF #17.
- NSEF #19A – Valued Automobile – currently this applies to Antique Vehicles only and the companies propose to allow it for Classic Rated Vehicles as well. The endorsement removes the limitation of actual cash value and allows coverage up to a specified amount. The change removes the limit of the lesser of actual cash value or the specified amount to Classic Rated Vehicles provided under NSEF #19.
- NSEF #20 – Loss of Use – a third limit on the amount paid for automobile rentals when an insured loses access to the insured vehicle due to a physical damage claim is proposed. An increase in premiums is also proposed to move them closer to the expected coverage cost and to align with Ontario pricing and pricing proposed in other Atlantic Provinces.
- NSEF #27 – Legal Liability for Damage to Non-Owned Automobiles – under this endorsement, coverage is extended for legal liability for loss or damage to a vehicle driven but not owned by an insured. An increase in the deductible for Collision and Comprehensive coverages, as well as the coverage limits, is proposed to improve coverage while renting a vehicle and to align with Ontario and ultimately other Atlantic Provinces.
- NSEF #35 – Emergency Expense – an increase in the limit and the premium is proposed for the coverage for towing and emergency service expenses if the insured's vehicle is disabled.

- NSEF #43R/43R(L) – Limited Waiver of Depreciation – under the endorsement, the depreciation on repair or replacement of the vehicle because of loss due to an insured peril for the first 24 months it is in service is waived. Both companies proposed a change in the pricing structure which would be based on a percentage of the physical damage coverages paid by the insured rather than the Collision rate group. A minimum premium will be applied. The percentage in the second year is higher as the depreciation would be higher.

[5] Board staff recommended the approval of the proposed changes to the standard endorsements. The Board notes that Intact recently received approval for the same changes (2019 NSUARB 131). The Board accepts the Board staff recommendation and approves the changes.

Endorsement Bundles

[6] Both companies offer three Plus Pac Options (A, C, and D) which bundle various standard endorsements at specified NSEF #20 limits. Just as Intact did, the companies propose to change from subtracting a flat dollar discount to applying a percentage discount to the total applicable endorsement premiums in each bundle option. The percentage discount will vary, as did the flat discount, by the option and whether the vehicle is used for business or pleasure. Both companies will also change the limits for NSEF #20 in each endorsement bundle option.

[7] Board staff recommended the approval of the changes to the endorsement bundles. The Board accepts the recommendation and approves the proposed changes.

Responsible Driver Guarantee

[8] Each company offers a non-standard endorsement which gives accident forgiveness for the first chargeable at-fault accident. Trafalgar proposes to rename its endorsement. Each company currently charges a flat premium which must be paid

annually to continue this protection after such an accident. If the insured qualifies to receive the Loyalty Benefit (continuously insured with any of the sister companies for eight years), the premium is waived.

[9] Both companies proposed to change the premium to a percentage of the total private passenger vehicle premium (before surcharges, discounts and other endorsements). The minimum premium would still apply.

[10] The companies proposed some wording changes for the endorsement. The changes are being reviewed by the Superintendent of Insurance. The wording changes, whether approved by the Superintendent or not, would have no impact on the proposed premium. However, just as it did with Intact, the Board will withhold approval of the rate until the Superintendent has approved the wording. The companies may apply on an expedited basis for approval once that occurs.

Impact of the Changes

[11] Board staff noted that the changes proposed in these applications will result in relatively small percentage increases for all of each company's risks. While each company said that the majority of its customers will be impacted, most of the increases will be less than \$50.

III SUMMARY

[12] The Board finds that the applications follow the *Act and Regulations*, as well as the *Rate Filing Requirements*.

[13] The Board finds the proposed changes to the standard endorsements and endorsement bundles will result in rates that are just and reasonable, and approves the

changes effective January 8, 2020, for new business and February 8, 2020, for renewal business for both companies. Each company may apply to the Board on an expedited basis for approval of the pricing changes to the Responsible Driver Guarantee once the Superintendent of Insurance approves the proposed wording changes.

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

[15] The applications do not qualify to set a new mandatory filing date under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The mandatory filing date for each of Novex and Trafalgar for private passenger vehicles stays at February 1, 2021.

[16] Board staff reviewed the companies' Automobile Insurance Manuals filed with the Board and did not find any instances where the Manuals, contravened the *Act* and *Regulations*. Each 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.

[17] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 7th day of November 2019.



Roberta J. Clarke Q.C. ·