

DECISION

**NSUARB-INS-10-55
2010 NSUARB 173**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by **RBC INSURANCE COMPANY OF CANADA** for approval to modify its current rates and risk-classification system for private passenger vehicles, including adoption of the 2009 CLEAR table as approved by the Board

BEFORE: Roberta J. Clarke, Q.C.

APPLICANT: **RBC INSURANCE COMPANY OF CANADA**

FINAL SUBMISSIONS: August 10, 2010

DECISION DATE: **September 8, 2010**

DECISION: **Application is approved**

INTRODUCTION

[1] RBC Insurance Company of Canada (“RICC” or the “Company”) filed an application with the Nova Scotia Utility and Review Board (the “Board”) for approval to modify its rates and risk-classification system for private passenger vehicles. The supporting documents and materials (the “Application”), dated July 30, 2010, were filed electronically on August 3, 2010, and the original documents were received on August 6, 2010.

[2] Information requests (“IRs”) were sent to the Company on August 10, 2010, and responses were received on the same date.

[3] As a result of a review by Board staff, a report, dated August 10, 2010, (the “Staff Report”) was prepared and forwarded to the Company on the same day for review. The Company responded to the Staff Report on August 10, 2010, with one comment, which was accepted by Board staff.

[4] The Board did not deem it necessary to hold an oral hearing on the Application.

I ISSUE

[5] The issue in this Application is whether the proposed rates and changes to the risk-classification system are just and reasonable and in compliance with the *Insurance Act* (the “Act”) and its *Regulations*.

II ANALYSIS

[6] The Company sought approval to change its rates and its risk-classification system for private passenger vehicles. The Application was made in accordance with the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (including Mandatory Filing)* (the “*Rate Filing Requirements*”). The proposed effective dates are October 1, 2010, for new business, and November 15, 2010, for renewal business.

[7] The Company proposed to change its rates and risk-classification system by making the same changes which the Board had approved for its “sister company”, RBC General Insurance Company (“GENCO”) [2010 NSUARB 157].

[8] The Company was formed in October, 2008, to insure the group business of GENCO. At that time, the rates for which it sought approval were the same as those of GENCO. There were two distinctions between the rates of the companies, being a 5% plan discount for clients of RICC who are members of an eligible group, organization or affinity program, and the application of the Multi-Vehicle discount to occasional drivers (Class 05) for RICC clients, which does not apply to GENCO clients.

Rate Level Changes

[9] RICC submitted that its small volume of business does not warrant, and would not produce, a meaningful actuarial analysis. It chose to rely on the actuarial data and analysis filed in the GENCO application, which was accepted by the Board. The Board accepts this as an appropriate approach for this Application.

[10] The base rate changes for GENCO resulted in a 6.97% decrease on a combined coverage basis. Because the composition of RICC's business is different from GENCO, despite applying the same changes to base rates and discounts, the impact of those changes (as evidenced in the territorial exhibits) is different.

[11] The Company's adoption of the changes approved for GENCO results in an overall rate level increase of 0.7%.

Territorial Differentials

[12] RICC relies on the GENCO analysis as required to support its territorial differentials. Given that the Company is aligning itself with the GENCO rates, the Board accepts this approach as adequate support for RICC's territorial differentials.

Gender Differentials

[13] RICC proposes similar recognition of gender in its rates as adopted by GENCO, i.e., through use of a driving experience discount. The Board accepts this approach as appropriate for RICC.

Web Based Discount

[14] As does GENCO, RICC presently offers a discount when an insurance quote is obtained from its website, as a result of expense savings. The Company proposed to extend this discount to quotes coming from a third party website, as the expense savings will apply when the quote is transferred from the third party website to the Company's website.

[15] The Board finds that this proposed change to the discount is just and reasonable.

2009 Canadian Loss Experience Automobile Rating (CLEAR) Table

[16] RICC proposes to adopt the 2009 CLEAR table, as approved by the Board, using the Collision and Comprehensive rate groups proposed by the Vehicle Information Centre of Canada, and the 2008 CLEAR table rate groups for Accident Benefits.

[17] RICC relies on the GENCO actuarial analysis filed in its recent application to comply with the Board's requirements to adopt the approved CLEAR table. The Board accepts this approach, and the resulting changes, as just and reasonable.

Rate Manual Review

[18] The Company proposed no changes to its rate manual, other than the adoption of the CLEAR table as noted, and the changed rates and discount. A review by Board staff determined that there are no instances where the manual is not compliant with the *Regulations*.

III FINDINGS

[19] The Board finds that the Application complies with the *Act* and *Regulations*. Due to the Company's relationship with GENCO, and its adoption of GENCO's full actuarial indications and the required territorial and gender analysis in this

Application, the Board finds that it is appropriate to reset the new mandatory filing date for the Company for private passenger vehicles to April 1, 2012. This will coincide with the mandatory filing date for GENCO. This should result in greater ease of administration for these related companies for the mandatory filings.

[20] Based upon the evidence, the Board is satisfied that the changes in rates proposed by the Company are just and reasonable, and they are hereby approved.

[21] The Board approves the adoption of the CLEAR table as outlined above and the proposed change to the Web Based Discount.

[22] The Board notes that the proposed effective dates will align with those approved for GENCO. The effect of the Board's recent decision on GENCO rates would mean that the effective dates of the rate changes for the two companies would otherwise differ. The Board is satisfied that this would unnecessarily complicate the efficient administration of the business of the companies, and therefore, the Board finds it is reasonable to co-ordinate the effective dates. As a result, the Board approves the effective date of October 1, 2010, for new business, and November 15, 2010, for renewal business.

[23] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 8th day of September, 2010.

Roberta J. Clarke