

DECISION

**2023 NSUARB 133
M11156**

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 all vehicles

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

APPLICANT: **TD INSURANCE GROUP**

FINAL SUBMISSIONS: June 12, 2023

DECISION DATE: **July 19, 2023**

DECISION: **Application is approved.**

I INTRODUCTION

[1] On June 1, 2023, TD Insurance Group applied to the Nova Scotia Utility and Review Board to change underwriting and rating rules for all private passenger vehicles, motorhomes, utility and recreational trailers snowmobiles, motorcycles, and all-terrain vehicles for three companies under TD Insurance Group: Security National Insurance Company, Primmum Insurance Company and TD Home and Auto Insurance Company. Security National also proposed changes for commercial vehicles.

[2] TD Insurance Group proposed the following changes to its underwriting and rating rules:

- Reclassification of Distracted Driving convictions;
- Revisions to the risk point scorecard and occurrence rules;
- Removal of the Unacceptable Vehicle lists for snowmobiles, all-terrain vehicles, and motorcycles as well as the corresponding decline rules; and,
- Change to the Minor conviction list.

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

II ANALYSIS

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

[5] Board staff examined all aspects of the underwriting rules and rating to make the recommendations in the Staff Report and suggested that the Board further review certain issues. Board staff consider that TD Insurance Group satisfactorily addressed all other aspects of the underwriting rules and ratings in its application and IR responses.

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

- Reclassification of Distracted Driving convictions;
- Revisions to risk point scorecards and occurrence rules;
- Removal of Unacceptable Vehicle lists for snowmobiles, all-terrain and motorcycles; and,
- Change to the Minor conviction list.

Reclassification of Distracted Driving Convictions

[7] TD Insurance Group currently classifies a conviction for Distracted Driving, that is, using handheld/operated electronic/wireless device, as a Minor conviction. TD Insurance Group proposes to reclassify such convictions from Minor to Major. TD Insurance Group notes many competitors have made this reclassification both in Nova Scotia and nationally. TD Insurance Group may attract more risks with Distracted Driving convictions if it continues to treat the risk as Minor. TD Insurance Group noted that moving the classification to Major conviction would be more consistent with the impact on claims experience observed for those clients with such convictions.

[8] For its existing policyholders, TD Insurance Group will continue to treat Distracted Driving convictions that have already occurred as Minor. TD Insurance Group will not increase premiums beyond the current level for those convictions, which are already considered in the rating. New Distracted Driving convictions for existing policyholders and such convictions for new business will be treated by TD Insurance Group as Major convictions.

[9] As Security National Insurance also writes commercial vehicles, the change for Distracted Driving convictions will apply to commercial vehicles for this company.

[10] Board staff recommends the Board approve the reclassification of Distracted Driving convictions from Minor to Major, including the treatment of existing policyholders as Minor for TD Insurance Group for personal lines and Security National Insurance for commercial lines. The Board agrees.

Revisions to Risk Point Scorecards and Occurrence Rules

[11] TD Insurance Group proposes to change the Risk Point Scorecard points assigned to the Number of Major Convictions. TD Insurance Group assigns points for various risky characteristics when deciding whether to issue a new policy or renew an existing policy. If the total risk points assigned exceed a certain level, TD Insurance Group will decline to write the risk.

[12] TD Insurance Group currently assigns five points to a client with one or more Major convictions in the past three years. The company proposes to lower the risk points for the first Major conviction. Security National will assign two points and Primmum Insurance Company and TD Home and Auto Insurance Company will assign three points

for the first Major conviction. All these companies will assign five points for two or more Major convictions in the past three years.

[13] TD Insurance Group uses occurrence rules to determine whether to issue a new policy or to renew an existing policy for snowmobiles, motorcycles, and all all-terrain vehicles. Currently, if the client has one or more Major convictions in the past three years, a new policy will not be issued. If an existing policyholder has one or more Major convictions, then TD Insurance Group will not renew the policy.

[14] TD Insurance Group proposes to issue a new policy for Security National Insurance Company where a client has only one Major conviction in the past three years. Primum Insurance Company and TD Home and Auto Insurance Company will continue not to issue a new policy if the existing policyholder has one or more Major convictions.

[15] TD Insurance Group states that this difference in treatment of one Major conviction for Security National Insurance Company achieves a good balance between managing the risk and providing coverage while being compensated via surcharge for that risk. TD Insurance Group explained Security National Insurance Company attracts the most Distracted Driving convictions, and this company is more willing to write such risks.

[16] Board staff recommends the Board approve the proposed changes for number of Major convictions for the Risk Point Scorecard and the Occurrence Rules for personal line vehicles. The Board agrees.

Removal of Unacceptable Vehicle Lists for Snowmobiles, All-Terrain Vehicles and Motorcycles

[17] TD Insurance Group maintains lists of snowmobiles, all-terrain vehicles, and motorcycles that it views as too risky to write. TD Insurance Group also includes a decline rule that states if the vehicle is on the Unacceptable List, the risk will be declined. To simplify its current processes, TD Insurance Group proposes to remove these lists and the associated decline rules. The removal will allow the vehicle to follow the normal underwriting process rather than halting the process at the application of the list decline rules.

[18] Board staff recommends the removal of the Unacceptable Vehicles lists and the associated decline rules. The Board agrees.

Change to the Minor Conviction List

[19] TD Insurance Group maintains a list of offenses that it classifies as Minor convictions. The company proposes to modify this list as part of the goal of harmonizing the conviction classification nationally.

[20] Board staff recommends the proposed removal of this offense from the list of Minor convictions. The Board agrees.

III SUMMARY

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

[22] Given that TD Insurance Group will continue to treat existing Distracted Driving convictions as Minor, there is no impact that needs to be off-balanced. The nature

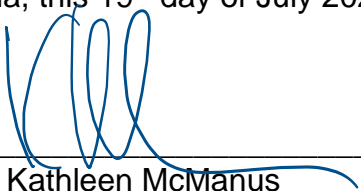
of the other proposed changes does not require off-balancing. As such, TD Insurance Group does not have to make any off-balancing adjustments to base rates.

[23] TD Insurance Group proposes the changes approved in this decision to be effective October 16, 2023, for new business and November 13, 2023 for renewals. Board staff recommends the Board accepts the proposed effective dates. The Board agrees.

[24] Board staff reviewed TD Insurance Group's revised Automobile Insurance Manual pages for Security National Insurance Company, Primum Insurance Company and TD Home and Auto Insurance Company in conjunction with the manuals on file and did not find any instances where any company's Manual contravened the *Act* and *Regulations*. The Board requires that Security National Insurance Company, Primum Insurance Company and TD Home and Auto Insurance Company each file a revised Manual, updated for the changes approved in this decision, within 30 days of the issuance of the order in this matter.

[25] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 19th day of July 2023.



M. Kathleen McManus