


DECISION

**NSUARB-INS-11-65
2012 NSUARB 14**

NOVA SCOTIA UTILITY AND REVIEW BOARD

 **IN THE MATTER OF THE INSURANCE ACT**

- and -

**IN THE MATTER OF AN APPLICATION by THE PERSONAL INSURANCE
COMPANY for approval to add an endorsement for private passenger vehicles**

BEFORE: Murray E. Doehler, CA, P.Eng., Member

APPLICANT: THE PERSONAL INSURANCE COMPANY

FINAL SUBMISSIONS: January 5, 2012

DECISION DATE: January 19, 2012

DECISION: Application is approved.

I INTRODUCTION

[1] The Personal Insurance Company ("TPIC" or the "Company") filed an application with the Nova Scotia Utility and Review Board (the "NSUARB" or "Board") for approval to add an endorsement for private passenger vehicles ("PPV"). The original supporting documents and materials (the "Application") dated December 2, 2011, were received by the Board on December 16, 2011.

[2] Information Requests ("IRs") were sent to TPIC on December 21 and 22, 2011, and responses were received on the same days.

[3] Board staff reviewed and analyzed the information and prepared a staff report dated January 3, 2012 (the "Staff Report").

[4] The Staff Report was provided to TPIC for its review on January 3, 2012, and the Company response was received on January 5, 2012, indicating it had no further comments, and requesting the Board to proceed with the Application.

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

II ISSUE

[6] The issue in this Application is whether the proposed endorsement is just and reasonable and in compliance with the *Insurance Act* (the "Act") and *Regulations*.

III ANALYSIS

[7] The Company sought approval to add an endorsement for PPVs for more comprehensive protection against depreciation. The Application was made in accordance with the Board's *Rate Filing Requirements for Automobile Insurance - Section 155G, Endorsements* (the "Rate Filing Requirements").

[8] The proposed effective dates are March 25, 2012, for new business and May 24, 2012, for renewal business.

[9] TPIC presently offers endorsements SEF#43R - Limited Waiver of Depreciation and SEF#43R(L) - Limited Waiver of Depreciation (Specified Lessee). These endorsements provide protection against depreciation in the event of a total loss of a vehicle in the first 24 months after a new vehicle is delivered to the insured. That is, the endorsement waives the cost of depreciation if the vehicle has to be replaced as the result of loss or damage caused by a peril covered by Section C of the policy. The endorsement can only be purchased where a vehicle has All Perils, Collision and Comprehensive coverage, or has Collision and Specified Perils coverage.

[10] These endorsements do not cover the cost of depreciation for a partial loss where used parts may be used to fix the vehicle.

[11] TPIC proposes to introduce a longer and more comprehensive protection against depreciation. In the event of a total loss within the first 5 years after delivery of a new automobile, the proposed "5 Year New Vehicle Protection" endorsement ("5YNVP") will replace the lost vehicle with a new automobile with the same specifications and equipment (if available) or one of similar like, kind and quality with similar equipment. The 5YNVP also provides protection in the form of the mandatory

use of new parts to fix an insured automobile in the event of a partial loss in the first 5 years.

[12] The charge for this endorsement is a percentage of the optional physical damage coverage premiums that varies by the age of the vehicle. For the first 40 months, the proposed premium is lower than the indicated cost. Thereafter, the proposed premium is slightly higher than indicated. Over the full 5 years for a new vehicle, the proposed premiums will total less than the indicated cost.

[13] SEF#43R and 43R(L), provide coverage similar to 5YNVP for the first two years (except for the use of new parts for a partial loss). In comparing the proposed 5YNVP premiums to those presently charged for SEF#43R and 43R(L) they are slightly less if the endorsement is taken out within 90 days of purchasing the vehicle. The premiums are higher, but still less than indications, if taken out after 90 days.

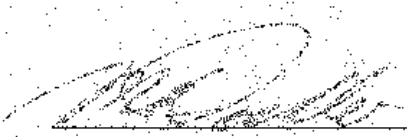
[14] The Board notes that the 5YNVP provides greater coverage in that a partial loss can be met with new parts as opposed to used parts for SEF#43R and 43R(L). TPIC provided a breakout of the partial loss element from the Total Loss element. This allows for a direct comparison of the 5YNVP premium to the indicated costs and the current premiums for the SEF#43 R and 43 R(L). This comparison shows the premiums of the two types of coverage are similar and in line with the indications.

[15] The Board is satisfied that the addition of this endorsement at the rates proposed is reasonable and appropriate.

IV FINDINGS

- [16] The Application is in compliance with the *Rate Filing Requirements*.
- [17] The Board finds the proposal of TPIC to add the 5YNVP endorsement, and the related premiums, to be just and reasonable.
- [18] The Board approves the effective dates of March 25, 2012, for new business and May 24, 2012, for renewal business.
- [19] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 19th day of January, 2012.



Murray E. Doehler