

**DECISION**

**2018 NSUARB 148  
M08718, M08719 and M08720**

**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**IN THE MATTER OF THE INSURANCE ACT**



**- and -**

**IN THE MATTER OF AN APPLICATION** by **CHUBB INSURANCE COMPANY OF CANADA** for approval to modify its rates and risk-classification system for interurban trucks, commercial vehicles, and private passenger vehicles

**BEFORE:** Stephen T. McGrath, LL.B., Member

**APPLICANT:** **CHUBB INSURANCE COMPANY OF CANADA**

**FINAL SUBMISSIONS:** June 20, 2018

**DECISION DATE:** **July 23, 2018**

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

## **I INTRODUCTION**

[1] Chubb Insurance Company of Canada (Chubb or Company) applied to the Nova Scotia Utility and Review Board (Board) for approval to modify its rates and risk-classification system for interurban trucks, commercial vehicles, and private passenger vehicles (Applications). The Applications, including supporting information, were dated and filed electronically on May 25, 2018. Information Requests (IRs) were sent to the Company on June 15, 2018, and responses were received on June 19, 2018.

[2] As a result of a review by Board staff, staff reports dated June 20, 2018 (Staff Reports) were prepared and provided to the Company for comments on the same date. The Company responded later that day indicating that it had reviewed the Staff Reports and had no comments.

[3] The Board did not find it necessary to hold an oral hearing for the Applications.

## **II ISSUE**

[4] The issue in these Applications is whether the proposed rates and changes to the risk-classification systems are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*.

## **III ANALYSIS**

[5] The Company sought approval to change its rates and its risk-classification systems for interurban trucks, commercial vehicles, and private passenger vehicles. The Applications were made in accordance with the Board's *Rate Filing Requirements for*

*Automobile Insurance – Section 155G Adopt IAO Rates (Rate Filing Requirements).* The proposed effective date is August 1, 2018, for new and renewal business.

### **Use of IAO Rates and Risk-Classification System**

[6] The Company proposed to adopt the rates and risk-classification systems that were recently approved by the Board for IAO Actuarial Consulting Services Inc. (IAO) for interurban trucks and commercial vehicles [2018 NSUARB 77] and for private passenger vehicles [2018 NSUARB 69]. IAO provides consulting services to the insurance industry, including recommendations on rates to be used by insurers who subscribe to its services. In June 2010, the Board advised IAO that it would treat IAO's applications as if they were made by an insurer or rating bureau, and issue an order approving, rejecting or altering the recommended rates proposed by IAO to levels that the Board determines to be just and reasonable.

[7] An insurer intending to adopt approved IAO rates may apply to the Board without the necessity of filing an actuarial basis for the rates if it can satisfy the Board that those rates are appropriate for use by the insurer. An insurer filing such an application may seek an adjustment for differences arising from a lower proposed return on equity than that approved for IAO and for differences arising from the insurer's expense ratio, relative to that approved for IAO by the Board.

[8] Chubb submitted that it was appropriate for it to use Board approved IAO rates because it insures few or no individually rated interurban trucks in Nova Scotia, and very limited numbers of individually rated commercial vehicles and private passenger vehicles in the Province. Board staff have advised that, in these circumstances, it seems reasonable for Chubb to adopt the approved IAO rates.

[9] The Board understands that Chubb currently has little or no business in individually rated interurban trucks in Nova Scotia, and that its volume of business in individually rated commercial vehicles and private passenger vehicles in Nova Scotia is small. It is unlikely that an actuarial analysis would produce meaningful results for these vehicles. The Board accepts Chubb's request to adopt IAO rates as appropriate in the circumstances.

[10] Chubb proposed to adopt the IAO rates without adjustments. In particular, the Company has not proposed a change to the IAO selected target return on equity or the IAO selected expense ratios. Chubb has also not proposed any other modifications to the rates and risk classification system approved by the Board.

#### **Automobile Insurance Manual**

[11] Board staff reviewed the Automobile Insurance Manuals on file and found no instances where the Company is in violation of the *Regulations*. The Company proposed no changes to its Automobile Insurance Manuals other than those necessary to effect the changes noted in this Decision.

#### **IV FINDINGS**

[12] The Board finds that the Applications comply with the *Act* and *Regulations*, as well as the *Rate Filing Requirements*.

[13] The financial information submitted by the Company satisfies the Board, pursuant to Section 155I(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the Company.

[14] The Board is satisfied the Company's proposal to adopt the current IAO rates and risk-classification systems for interurban trucks, commercial vehicles, and private passenger vehicles, with no adjustments, is just and reasonable and approves the Applications.

[15] Given that the current IAO rates and risk-classification system included the required actuarial analysis prior to approval, the Board finds the Applications qualify to set the new mandatory filing deadlines for the Company for interurban trucks and commercial vehicles to June 1, 2021, and for private passenger vehicles to June 1, 2020.

[16] The Board approves the effective date of August 1, 2018, for new and renewal business.

[17] The Company is required to file an electronic version of its updated Automobile Insurance Manuals within 30 days of the issuance of the Order in this matter.

[18] An Order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 23<sup>rd</sup> day of July, 2018.

  
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Stephen T. McGrath