

DECISION

2018 NSUARB 206
M08906 & M08907

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

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- and -

IN THE MATTER OF APPLICATIONS by **HARTFORD FIRE INSURANCE COMPANY**
for approval to modify its rates and risk-classification systems for private passenger
vehicles and commercial vehicles

BEFORE: Jennifer L. Nicholson, CPA, CA, Member

APPLICANT: **HARTFORD FIRE INSURANCE COMPANY**

FINAL SUBMISSIONS: October 24, 2018

DECISION DATE: November 7, 2018

DECISION: **Applications are approved.**

I INTRODUCTION

[1] Hartford Fire Insurance Company (Hartford or Company) filed supporting documents and materials (Applications) with the Nova Scotia Utility and Review Board (Board) for approval to modify its rates and risk-classification systems for private passenger and commercial vehicles. The Applications, dated September 26, 2018, were filed electronically on September 27, 2018.

[2] As a result of a review by Board staff, two staff reports dated October 15, 2018 (Staff Reports), were prepared. The Staff Reports were provided to the Company for review on the same date in response to which the Company had no comments. There were no Information Requests.

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

II ISSUE

[4] The issue in these Applications is whether the proposed rates and 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 modify its rates and risk-classification systems for private passenger and commercial 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). Hartford is a new entrant into this market and, therefore, it does not currently have a mandatory filing date.

[6] The proposed effective date is December 1, 2018.

Use of IAO Rates and Risk Classification Systems

[7] In order for a company to adopt IAO rates, it must make an application that:

- i. Explains why it is appropriate for the company to adopt the rates;
- ii. Adjusts (downward only) the rates to reflect the desire to use a proposed return on equity (ROE) that is lower than the ROE approved by IAO (12%);
and
- iii. Adjust the rates, if desired, to reflect any differences in the company's expense ratio relative to that included in the approved IAO rates.

[8] As a new entrant into the Nova Scotia market, Hartford currently has no exposures of individually rated private passenger or commercial vehicles. The Board understands, therefore, that an actuarial analysis would not produce meaningful results. The Company proposed to adopt the rates and risk-classification systems for IAO Actuarial Consulting Services Inc. (IAO), as approved by the Board in its Decisions [2018 NSUARB 69], for private passenger vehicles, and [2018 NSUARB 77], for commercial vehicles. The Board accepts this as a reasonable approach in the circumstances and finds that criterion (i) is satisfied.

[9] As the Company proposes not to make adjustments for ROE, or for any expense differences, as allowed in the filing requirements, the Board finds that criteria (ii) and (iii) are met as well.

[10] The Board approves the Company's proposal to adopt the IAO base-rate changes and relativities, as filed.

Automobile Insurance Manual

[11] Board staff have reviewed the Automobile Insurance Manual and found no instances where the Company is in violation of the *Regulations*.

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 155l(1)(c) of the *Act*, that the proposed rates 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 private passenger and commercial vehicles, is just and reasonable and approves the Applications.

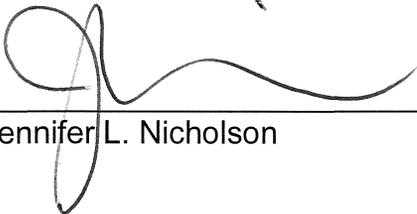
[15] Given that the current IAO rates and risk-classification systems included the required actuarial analysis prior to approval, the Board finds the Applications qualify to set the mandatory filing deadline for private passenger vehicles to October 1, 2020, and commercial vehicles to October 1, 2021.

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

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

[18] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 7th day of November 2018.



Jennifer L. Nicholson