

DECISION

2016 NSUARB 149
M07537
M07541

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

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- and -

IN THE MATTER OF APPLICATIONS by ZENITH INSURANCE COMPANY, NORTHBRIDGE PERSONAL INSURANCE CORPORATION, TOKIO MARINE & NICHIDO FIRE INSURANCE COMPANY, and NORTHBRIDGE GENERAL INSURANCE CORPORATION for approval to modify their respective rates and risk-classification systems for private passenger vehicles

BEFORE: Roberta J. Clarke, Q.C, Member

APPLICANTS: ZENITH INSURANCE COMPANY
NORTHBRIDGE PERSONAL INSURANCE CORPORATION
TOKIO MARINE & NICHIDO FIRE INSURANCE COMPANY
NORTHBRIDGE GENERAL INSURANCE CORPORATION

FINAL SUBMISSIONS: August 4, 2016

DECISION DATE: August 12, 2016

DECISION: Applications approved

I INTRODUCTION

[1] Zenith Insurance Company (“Zenith”), and Northbridge Personal Insurance Corporation (“NPIC”), on behalf of itself and sister companies, Tokio Marine & Nichido Fire Insurance Company (“Tokio”) and Northbridge General Insurance Corporation (“NGIC”), (collectively, “Companies”) each filed supporting documents and materials (“Applications”) with the Nova Scotia Utility and Review Board (“Board”) for approval to modify their respective rates and risk-classification systems for private passenger vehicles (“PPV”). The Applications, dated June 30, 2016, were filed electronically on that date.

[2] Zenith is also a sister company to NPIC, Tokio and NGIC. The Board has deemed it appropriate to address the Applications in one decision, as it has done in past applications where Zenith had been part of a single application by the Companies.

[3] In the circumstances, the Board considered that NPIC could receive and respond to Information Requests (“IRs”) on behalf of all of the Companies. IRs were sent to NPIC on July 8, 2016, and responses were received on July 20, 2016.

[4] As a result of a review by Board staff, a staff report dated July 20, 2016 (“Staff Report”) was prepared. The Staff Report was provided to NPIC for review on behalf of the Companies on July 20, 2016. NPIC responded on August 4, 2016, indicating that it had reviewed the Staff Report and had no comments.

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

II ISSUE

[6] 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

[7] The Companies sought approval to modify their respective rates and risk-classification systems for PPV. 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 mandatory filing date for each of the Companies was April 1, 2016; however, this was extended by the Board to a date six weeks after the Board issued its Order on the PPV application of IAO Actuarial Consulting Services Inc. (“IAO”) which was then before the Board. The decision in that matter was issued on May 20, 2016 [2016 NSUARB 81]. As a result, July 1, 2016 became the revised mandatory filing date for the Companies.

[8] The proposed effective dates for each of the Companies are October 1, 2016, for new business and November 1, 2016, for renewal business.

Rates and Risk-Classification Systems

[9] The Companies each proposed to adopt the rates and risk-classification systems for IAO, as approved by the Board in its decision [2016 NSUARB 81], for PPV, with proposed deviations for differentials for additional Third Party Liability (“TPL”) and SEF # 44 (Family Protection Endorsement) liability limits and additional deductible offerings. In addition, they

sought approval to maintain their respective currently approved discounts, surcharges, and accident forgiveness provisions.

[10] In order for the Companies to adopt IAO rates, they must each satisfy the Board that it is appropriate for them to do so. Each of them may seek an adjustment for a lower proposed Return on Equity (“ROE”) than that approved for IAO, and may seek an adjustment in the rates to reflect any differences in their respective expense ratios, relative to that approved for IAO by the Board.

[11] The Companies are presently using rates and risk-classification systems which were those most recently approved for IAO when they had last sought rate approval from the Board. At that time, the Board approved a number of deviations from IAO rates. Each of the Companies underwrites a relatively small number of individually rated PPVs in Nova Scotia. Board staff observe that, in the circumstances, an actuarial analysis would be unlikely to produce meaningful results, and that therefore it is reasonable for the Companies to adopt the IAO rates and their underlying analysis.

[12] None of the Companies propose to make adjustments for ROE approved for IAO.

[13] No adjustments for expense differences are sought by the Companies relative to those approved for IAO.

[14] Consequently, the Board finds that the adoption of the IAO rates and risk-classification systems will produce just and reasonable rates for the Companies, and approves their respective proposals.

[15] Each of the Companies currently offers a number of discounts and surcharges, as well as a provision regarding accident forgiveness which the Board has approved in past applications. These are not included in either the rates or risk-classification system approved

for IAO. Board staff recommend that the Board approve their continuation. The Board agrees, and the Companies may each continue to apply the current discounts, surcharges and accident forgiveness provision.

[16] IAO rates do not include certain liability limits for TPL and SEF # 44. The Companies wish to offer them as they have in the past. Further, the Companies propose to continue to offer additional deductible levels for their respective physical damages coverages beyond those included in the IAO approved rates. The Companies developed differentials and relativities for these options. In both cases, Board staff recommended that the Board approve the Companies' proposals. The Board is satisfied that it is appropriate to do so.

Rate Manual Review

[17] Board staff have reviewed the Rate Manuals on file and found no instances where any of the Companies is in violation of the *Regulations*. The Companies proposed no changes to their respective Rate Manuals other than those necessary to effect the changes noted in this Decision.

IV FINDINGS

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

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

[20] The Board is satisfied the Companies' respective proposals to adopt the current IAO rates and risk-classification systems for PPV, with the adjustments indicated in Paragraphs [15] and [16] above, are just and reasonable and approves the Applications.

[21] 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 new mandatory filing deadline for PPV for each of Zenith, NPIC, Tokio, and NGIC to July 1, 2018.

[22] The Board approves the effective dates of October 1, 2016, for new business and November 1, 2016, for renewal business.

[23] Each of the Companies is required to file an electronic version of its updated Rate Manual within 30 days of the issuance of the Order in this matter.

[24] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 12th day of August, 2016.


Roberta J. Clarke