

**DECISION**

**2017 NSUARB 139  
M08127 and M08128**

**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**IN THE MATTER OF THE INSURANCE ACT**



**- and -**

**IN THE MATTER OF AN APPLICATION** by **AIG INSURANCE COMPANY OF CANADA**  
for approval to modify its rates and risk-classification system for interurban trucks and  
miscellaneous vehicles

**BEFORE:** Murray E. Doehler, Member

**APPLICANT:** **AIG INSURANCE COMPANY OF CANADA**

**FINAL SUBMISSIONS:** **July 13, 2017**

**DECISION DATE:** **August 21, 2017**

**DECISION:** **Applications are approved.**

## **I INTRODUCTION**

[1] AIG Insurance Company of Canada (“AIG” or “Company”) filed supporting documents and materials (Application) with the Nova Scotia Utility and Review Board (Board) for approval to modify its rates and risk-classification system for interurban trucks and miscellaneous vehicles. The Applications were received by the Board on June 21, 2017.

[2] An initial review of the Applications by Board staff revealed that no additional information was required.

[3] As a result of a review by Board staff, a staff report dated July 13, 2017, (Staff Report) was prepared. The Staff Report was provided to the Company for review, to which the Company responded on July 13, 2017, indicating that it had reviewed the Staff Report, and had no comments.

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

## **II ISSUE**

[5] The issue in this Application is whether the proposed rates and changes to the risk-classification system are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*.

## **III ANALYSIS**

[6] The Company sought approval to modify its rates and its risk-classification system for interurban trucks and miscellaneous vehicles. The Application was made in

accordance with the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. The Company's original mandatory filing dates were May 1, 2017, for miscellaneous vehicles and June 1, 2017, for interurban trucks, which had, together, been extended to August 1, 2017. This Application qualifies to reset the mandatory filing deadline to June 1, 2020, for these vehicles.

[7] The original proposed effective date of August 1, 2017, for both new and renewal business, was subsequently amended to September 1, 2017.

### **Rate Level Changes**

[8] The Company proposed to adopt the rates and risk-classification system that the Board recently approved for IAO Actuarial Consulting Services Inc. (IAO) for interurban trucks [2017 NSUARB 38] and miscellaneous vehicles [2017 NSUARB 45] without modification.

[9] In order to adopt IAO rates, under the Board's agreement with IAO, the Company 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 for IAO (12%); and
- iii. Adjusts the rates, if desired, to reflect any differences in the Company's expense ratio relative to that included in the approved IAO rates.

[10] The Company has written none of these vehicles under its current rates.

[11]           AIG intends, generally, to offer its rates on an accommodation basis for its customers who require interurban trucks or miscellaneous vehicles to be rated on an individual basis.

[12]           Under these circumstances, it seems reasonable for the Company to adopt rates based upon the IAO approved rates, satisfying criterion (i).

[13]           With respect to the second criterion, as it did in previous filings with the Board, AIG did not propose any adjustment to rates. The Company also did not want to make any adjustment in the expense ratio, as allowed under criterion (iii).

[14]           The evidence provided by AIG indicates that it has supported its decision to use IAO rates without adjustment for these vehicles.

#### **Rate Manual Review**

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

#### **IV     FINDINGS**

[16]           The Board finds that the Application complies with the *Act* and *Regulations*, as well as the *Rate Filing Requirements*.

[17]           The Board finds that AIG's proposal to adopt the Board approved interurban trucks and miscellaneous vehicles rates and risk-classification system for IAO, with no adjustment, to be appropriate in the circumstances of this Application.

[18] 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.

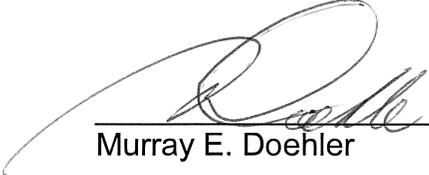
[19] Given that the current IAO rates and risk-classification system approved by the Board included the required actuarial analysis prior to approval, the Board finds that the AIG Application qualifies to reset the mandatory filing deadline for the Company's interurban trucks and miscellaneous vehicles to June 1, 2020.

[20] The Board approves the effective date of September 1, 2017, for new business.

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

[22] An Order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 21<sup>st</sup> day of August, 2017.

  
Murray E. Doehler