

DECISION

**2017 NSUARB 140
M08129**

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 commercial vehicles

BEFORE: Murray E. Doehler, Member

APPLICANT: AIG INSURANCE COMPANY OF CANADA

FINAL SUBMISSIONS: July 13, 2017

DECISION DATE: August 21, 2017

DECISION: Application is 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 commercial vehicles. The Application, dated June 21, 2017, was filed electronically on that date.

[2] An initial review of the Application 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 and the Company responded on the same day, 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 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 risk-classification system for commercial vehicles. The Application was made in accordance with the Board’s *Rate Filing Requirements for Automobile Insurance – Section 155G Adopt IAO*

Rates (Rate Filing Requirements). The Company's mandatory filing date was June 1, 2017; however, this was extended by the Board to August 1, 2017.

[7] The original proposed effective date in the Application was August 1, 2017, for new business, which was subsequently amended to September 1, 2017.

Rates and Risk-Classification System

[8] The Company proposed to adopt the rates and risk-classification system for IAO Actuarial Consulting Services Inc. (IAO), as approved by the Board in its Decision [2017 NSUARB 37], for commercial vehicles. The Company currently uses the approved IAO rates which were in effect at the time of the last AIG application.

[9] In order for the Company to adopt IAO rates, it must satisfy the Board that it is appropriate for the Company to do so. It may seek an adjustment for a lower proposed Return on Equity (ROE) than that approved for IAO, and it may seek an adjustment in the rates to reflect any differences in the Company's expense ratio, relative to that approved for IAO by the Board.

[10] The Company has not yet issued coverage in Nova Scotia for individually rated commercial vehicles. Its current rates are generally available only on an accommodation basis to its clients who may require individual commercial vehicle insurance. In these circumstances, the Board considers it is appropriate for AIG to adopt IAO rates.

[11] The Company proposes no adjustment to the level of ROE approved for IAO, and the Company chose not to adjust the allowed expense ratio.

[12] Based on the foregoing, the Board finds that the proposal by AIG to adopt the IAO rates, as approved by the Board in 2017 NSUARB 37, will produce just and reasonable rates. The Board hereby approves the proposal.

Rate Manual Review

[13] 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

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

[15] 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.

[16] The Board is satisfied the Company's proposal to adopt the current IAO rates and risk-classification system for commercial vehicles is just and reasonable and approves the Application.

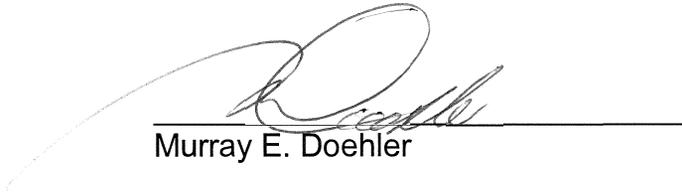
[17] Given that the current IAO rates and risk-classification system included the required actuarial analysis prior to approval, the Board finds the Application qualifies to set the new mandatory filing deadline for commercial vehicles for the Company to June 1, 2020.

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

[19] 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.

[20] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 21st day of August, 2017.



Murray E. Doehler