**DECISION** **2018 NSUARB 7**
**M08343**

# NOVA SCOTIA UTILITY AND REVIEW BOARD

## IN THE MATTER OF THE INSURANCE ACT

**- and -**

**IN THE MATTER OF AN APPLICATION** by **ECONOMICAL MUTUAL INSURANCE COMPANY** for approval to modify its rates and risk-classification system for commercial vehicles including interurban trucks

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

**APPLICANT:** **ECONOMICAL MUTUAL INSURANCE COMPANY**

**FINAL SUBMISSIONS:** December 21, 2017

**DECISION DATE:** **January 11, 2018**

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

## I INTRODUCTION

[1] Economical Mutual Insurance Company (Economical 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 (CV) including interurban trucks (IUT). The Application, dated October 13, 2017, was filed electronically on that date, and the original documents were received on October 24, 2017.

[2] Information Requests (IRs) were sent to the Company on November 9, 2017, and responses were received on November 20, 2017. Additional IRs were issued on November 21, 2017, to which the Company responded on November 24, 2017. Further IRs were issued to the Company on December 1, 4, and 5, 2017. The Company responded to these IRs on December 11, 2017.

[3] As a result of a review by Board staff, a staff report dated December 14, 2017 (Staff Report) was prepared. The Staff Report was provided to the Company for review on December 14, 2017. The Company responded on December 20, 2017, indicating that it had reviewed the Staff Report and provided comments, accepting certain recommendations in the Staff Report. The Company revised its proposed rate changes in accordance with those recommendations.

[4] Subsequently, in response to communication from Board staff, the Company proposed further changes to its proposed rates on December 21, 2017. Board staff then revised the Staff Report on December 21, 2017, and provided the revised Report to the Company on that date. The Company responded on December 21, 2017,

indicating it had reviewed the revised Report, accepted the recommendations, and had no further comments.

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

## II ISSUE

[6] 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

[7] The Company sought approval to change its rates and its risk-classification system for CV, including IUT. 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 mandatory filing date was March 1, 2018.

[8] The proposed effective dates are June 4, 2018, for new business and July 15, 2018, for renewal business.

### Rate Level Changes

[9] The Company proposed to change its base rates and risk-classification system. The proposed changes represent an overall rate level increase of 0.5%, which is the same increase as its indications.

[10] In addition, the Company proposed:

- A change to its fixed expense structure;
- Changes to several differentials;
- Unbundling its current Class and Special Commercial Rating Factor variables;
- Introduction of a number of new endorsements and changes to existing endorsements;
- Addition of Driving Records 5 and 6 and a Driving Record protector;
- Replacement of the split Driving Record for Bodily Injury and Property Damage-Tort and Collision coverages with a common single Driving Record;
- Introduction of a Maximum Radius rating variable to replace several surcharges;
- Changes to its rating algorithm;
- Changes to its rating rules;
- Adoption of new versions of rate group tables for physical damages coverages; and,
- Introduction of a premium capping/cupping program to address dislocation from the proposed changes.

[11] In considering the Company's Application, Board staff reviewed all aspects of the ratemaking procedure, including the following:

- Loss trends and the effects of reform;
- Loss development;
- Expense provisions, including unallocated loss adjustment expenses;
- Credibility standards and procedure;
- Premium (rate group drift) trends;
- Experience period and weights;
- Premium to surplus leverage ratio; and,
- Target and proposed return on equity (ROE).

[12] Board staff advise that three issues arose as a result of its review of the Application: the profit provision, specifically the target ROE; loss trends; and, expenses. Board staff advise that the Board might wish to consider alternatives in determining whether the proposed rates are just and reasonable. All other issues identified during the review by Board staff were resolved through the IR process.

**Return on Equity**

[13] Economical used a 12% target ROE, and a 2:1 premium to surplus ratio in developing its indications. The Company acknowledged that its corporate aim is for a higher ROE, but that it had used the 12% as it is at the upper end of the range which the Board has indicated in various decisions to be reasonable. Using Economical's assumptions for investment return, the target ROE produces a profit provision as a percentage of premium that is also at the top of the range which the Board has considered reasonable.

[14] As the Board has expressed concern about the level of ROE and profit observed in the industry generally, in a number of decisions it has required companies to use a 10% ROE in developing its indications. It has also asked individual companies why they should not be required to use a 10% ROE. The same question was posed to Economical.

[15] The financial information provided by the Company in its Application revealed that Economical has not been successful over the last several years in achieving its corporate target ROE, and has only achieved a result within what the Board considers a reasonable range in two of the last five years. The Company's experience in the Nova Scotia market suggests it has been worse than its overall Canadian experience.

[16] The Company provided indications using a 10% ROE; however, Board staff recommend, based on the apparent difference from industry overall, that the Board allow the use of a 12% target ROE in assessing whether the proposed changes will result in just and reasonable rates.

[17] The Board accepts the recommendation, noting that the Company had used the upper end of the range, despite its higher corporate goal, in developing its indications.

**Loss Trends**

[18] Both Economical and the Board's consulting actuaries, Oliver Wyman (OW), based their selected loss trends primarily on a review of the industry experience in Nova Scotia to the end of December, 2016. This did not result in identical loss trends because of the time periods selected, and the exercise of actuarial judgment. Additionally, while Economical analysed frequency, severity and loss cost trends separately, OW did not separate frequency and severity. For future trends, OW's selections matched its past trends, while for Economical, some future trends differed from its past trends.

[19] The Company said in response to IR-1, Q.2, it recognized that there is a degree of subjectivity in the selection of loss trends. It provided indications using the OW loss trend selections. The results showed that the OW indications were lower than the Economical indications, most significantly for Collision coverage.

[20] Board staff originally recommended that the Company use the OW loss trend selections for all coverages, except for Property Damage-Tort and Direct Compensation Property Damage coverages, where Board staff recommended the use of 0% as required in the Board's recent Facility Taxi decision [2017 NSUARB 172] where commercial vehicle loss trends were used.

[21] In its response to the original Staff Report, the Company suggested that, for Comprehensive and Collision coverages, its indications were more appropriate as the

shorter term demonstrated a higher trend. Board staff accepted the suggestion as it related to Comprehensive coverage, but considered that for Collision coverage, the term suggested was too short. Accordingly, Board staff suggested that an indication which fell between that put forward by the Company and the OW indication would be reasonable. The Company accepted this recommendation.

[22] As a result, Board staff suggested that the revised Economical assumptions for loss trends be used. These were the OW assumptions for all coverages, except Property Damage-Tort and Direct Compensation Property Damage coverages where 0% is used, the Economical assumption for Comprehensive coverage, and a revised assumption for Collision coverage.

**Expenses**

[23] The expense provision used by Economical was just under 41%, which appears greater than that used by other companies. The Company said that this provision included its Unallocated Loss Adjustment Expenses (ULAE), and, in response to IR-1, Q.8, identified the portion of the provision which composed the ULAE.

[24] The Company further explained that the increase in the expense provision resulted mainly from a decrease in premiums, but also from increased investment in information technology and infrastructure to improve customer service.

[25] The Company also proposed to recover its fixed expenses by a flat charge assigned to its clients of $15 per vehicle, and $3 per trailer, added to the premiums for Bodily Injury coverage, except where vehicles carry Comprehensive coverage only, where it will be added to the premium for that coverage. The charge will not be shown

separately but will appear as part of the premium. Economical then reduced the fixed expenses used in the indications. According to the Company, the total expense provision and profit remain the same as if the full fixed expenses were used in the indications and there were no fixed expense fees.

[26] In response to IR-1, Q.11, the Company said the flat charge is intended to address the portion of fixed expenses which "…varies directly with exposure and does not vary with premium amount."

[27] Board staff have recommended that the Board accept the expense provision and the use of the fixed or flat fee to enable the Company to recover some costs on a direct per exposure basis. The Board accepts this recommendation.

**Staff Indications**

[28] Board staff recommended indications against which the Board should assess whether the changes proposed by Economical will result in just and reasonable rates. Those indications use the loss trends discussed above.

**Proposed Rate Changes**

[29] Board staff compared the proposed changes with and without the proposed fixed expense charge, and concluded that the changes would produce the same result, i.e., a 0.5% increase.

[30] The proposed rates match the Board staff indications and, therefore, result in a target ROE of 12%. As discussed earlier in this Decision, the Board approved this

ROE, which is at the highest percentage of the range the Board considers reasonable, in the circumstances of this Application.

[31] As a result, the Board finds that the proposed changes will result in just and reasonable rates, and approves them.

**Territorial Differentials**

[32] The Company proposed to make no changes to its territories in the Application. It noted that it does not rate vehicles which undertake Long Hauls by territory to avoid any adverse selection. Such vehicles travel through and across several territories, rather than working only in one territory.

[33] Economical undertook an analysis of its territorial indications which produced indicated differentials. Based on this analysis, it proposed changes to differentials for all territories, except for the base territory, 1A and for 1B (excluding Direct Compensation Property Damage) which differed by coverage.

[34] In some cases, where the indications were for large changes, the Company chose to move only partially to the indicated level. It proposed no changes to the Long-Haul differentials.

[35] The Company off-balanced the impact of these changes.

[36] The Company proposed to change the determination of territory for CV and IUT. Instead of using the highest rated territory in which the vehicle is operated, Economical proposed the use of the territory in which the vehicle is garaged.

[37] The Board accepts the recommendation of Board staff and approves the proposed territorial differentials and the change in how the Company will determine the territory.

**Other Changes**

*Rate Group Tables*

[38] Economical proposed to adopt the 2017 versions of the Commercial Automobile Rate Group Table I and Table II published by IAO Actuarial Consulting Services Inc. (IAO). These are new versions of the tables the Company currently uses. No changes to the Tables were proposed.

[39] The Company uses differentials based on its own experience rather than the IAO differentials. It revised its differentials, making changes which resulted in a partial movement towards the indicated differentials. The changes proposed are generally smaller than indicated.

[40] The Company off-balanced the impact of these changes.

[41] The Board accepts the recommendation of Board staff and approves the adoption of the 2017 Commercial Automobile Rate Group Tables I and II, and the revised differentials proposed by the Company.

*Unbundling of Class Variables*

[42] Currently, Economical uses the Insurance Bureau of Canada (IBC) Class rating variable. The Company proposed to replace this with separate variables for components of the Class rating variable, including:

- Vehicle Weight (Light, Heavy and Super Heavy);
- Type of Use;
- Delivery Purpose (None, Retail or Wholesale) & Hauling for Others (Yes or No);
- Pleasure Use (applied to artisan vehicles only); and,
- Snowplow Use.

[43] The Company used its Generalized Linear Model (GLM) to determine differentials for these variables. Using the current Class differentials, it inferred current differentials for the "unbundled" variables, and chose to set the new differentials using a weighted average of the current and indicated differentials.

[44] In some cases, while the Company created a number of categories for a new rating variable, it chose the same differential for the categories. While the Company is uncertain whether these categories are significantly different, the split allows it to collect more refined underwriting information.

[45] The Company off-balanced the impact of these changes as part of its overall off-balancing process.

[46] Board staff recommended the approval of the removal of the Class rating variable and the replacement with the new variables, as well as the proposed differentials. The Board accepts the recommendation and approves the changes.

*Unbundling of Special Commercial Rating Factor (SCRF) Rating Variable*

[47] Economical considered its Special Commercial Rating Factor (SCRF) code differentials in conjunction with the unbundling of the Class rating variable, discussed above. It proposed to remove the SCRF code and introduce three new variables for the Bodily Injury and Property Damage-Tort coverages:

- Fuel Type;
- Fuel Tank; and,
- Delivery Frequency x Hauling for Others.

[48] The Company found that the indicated differentials from its GLM analysis for the new variables are like the current SCRF levels. The impact was off-balanced as part of the overall off-balancing of all the changes proposed in the Application.

[49] Board staff recommend the approval of the new rating variables and associated differentials, and the Board accepts this recommendation.

*Years Licensed and Years of Experience Rating Variables*

[50] Economical proposed to introduce two new rating variables, which are mutually exclusive. Years Licensed is a self-explanatory vehicle; it applies to Light Vehicles. Years of Experience is the number of full years in Canada that the driver has operated a similar type of vehicle as the insured vehicle, and has had insurance on such a vehicle. This variable applies to Heavy and Super Heavy vehicles.

[51] The Company proposed to use the same differentials for each variable, at least initially. It off-balanced the impact as part of its overall off-balancing of changes.

[52] The Board accepts the recommendation of Board staff to approve the introduction of these two variables and the associated differentials.

*Maximum Radius Rating Variable and Removal of Surcharges*

[53] The Company proposed to introduce a new variable, the Maximum Radius variable, which would replace the current Radius Surcharge (Incidental Only – For Standard Class), Incidental Truckman surcharge, and Canadian Truckman surcharge.

The new variable reflects the number of kilometers the vehicle travels, one way, in operation from its garaged address. The radius considers Canadian radius only.

[54] Economical did not propose differentials from its GLM analysis but, rather, considered the impact of the current surcharges. The Company did not, however, intend to duplicate those surcharges which used normal radius rather than maximum radius.

[55] Board staff recommend the approval of the new Maximum Radius rating variable and the associated differentials and the removal of the surcharges. The Board accepts the recommendation.

*Driving Records 5 & 6 and Driving Record Protector*

[56] Currently, Economical uses Driving Records (DR) 0 to 4. DR 4 is reserved for the "best" drivers. To reward better drivers with a better discount, the Company proposed to add two new driving records, DR 5 and DR 6.

[57] The requirements for DR 4, which will not change under the proposal, are:

- The driver must have owned/leased/operated a similar commercial type vehicle in a similar capacity;
- The driver must have held the required valid driver's license with no suspension of 12 months or more in the past four years; and,
- The driver must have had no chargeable accidents within the past four years.

[58] For the new DR 5, the requirements are the same, except the four-year periods increase to five years. For the new DR 6, the requirements change to six-year periods, but there are additional requirements:

- The driver must have no more than three minor convictions in the last three years;
- The driver must have no major or serious convictions in the last three years; and,
- There must have been no non-payment cancellations in the last three years.

[59] Given the proposed change discussed earlier in this Decision, Years of Experience will replace Years Licensed for Heavy and Super Heavy vehicles in the definition of Driving Record.

[60] The differentials proposed by the Company are the same as those proposed in Ontario where they are still under review by the Financial Services Corporation of Ontario.

[61] The Company also proposed the introduction of Driving Record Protector for DR 6. This is an accident forgiveness provision, which means that the first at-fault accident for a person with DR 6 will not impact the Driving Record. It is for this reason that DR 6 has the additional requirements noted above.

[62] At present, Economical uses split Driving Records for Bodily Injury and Property Damage-Tort coverage and Collison coverage. The Driving Records reflect only the chargeable accidents claimed under the specific coverage. The Company proposed to change to an approach where the same DR applies to these coverages, meaning all chargeable accidents will count regardless of the coverage.

[63] The Company off-balanced the impact of the proposed changes as part of its overall off-balancing.

[64] Board staff recommend approval of the introduction of the new DR 5 and DR 6, the DR Protector and the change to a single DR for the relevant coverages. The Board accepts the recommendation.

*Traction Control Rating Variable*

[65] Economical proposed the introduction of a Traction Control rating variable. IBC vehicle information identifies whether traction control is either not available, standard or optional on a vehicle. Economical will use these three categories, but proposes the same differential for standard and optional traction control. It said its model did not identify any significant difference between those two categories, but the Company hopes to collect experience data over time by identifying them separately.

[66] The Company uses this variable in Ontario and used the Ontario analysis in selecting the proposed differentials.

[67] The Board accepts the recommendation of Board staff to approve the introduction of the Traction Control variable and the proposed differentials.

*List Price for Bodily Injury and Property Damage-Tort*

[68] Economical proposed to introduce List Price as a rating variable for the premium for Bodily Injury and Property Damage-Tort coverages. It undertook a GLM analysis which led the Company to conclude that more expensive vehicles should be charged at a higher rate. This variable would reflect this.

[69] Further, a higher value vehicle is often larger or heavier and thus more difficult to manoeuver or brake, or may have a more powerful engine. This may contribute to the increased likelihood of a claim or increased severity of a claim under these coverages.

[70] The Company chose to use a weighted average of current and indicated differentials as it would be using this variable for the first time, and wanted to eliminate

potentially large dislocation. The Company off-balanced the impact of this new variable in its overall off-balancing.

[71] Board staff report that the Company provided sufficient support for this variable and the associated differentials and recommended the Board approve them. The Board accepts the recommendation.

*Trailer Type*

[72] The GLM analysis undertaken by Economical did not suggest significant difference between the types of trailers. Economical does, however, use differentials that vary by trailer type. The Company noted that it insures only a small number of trailers and therefore it gave less weight to the indicated differentials. Instead, it chose to use new differentials that were closer to those it currently uses. In addition, the Company proposes to introduce two new trailer types.

[73] Board staff recommend the approval of the new trailer types and the proposed trailer type differentials, and the Board accepts this recommendation.

*Deductibles*

[74] The current minimum deductible is 5% of List Price New for vehicles with values of $100,000 or more. The Company proposed to use deductibles of $30,000; $40,000; $45,000; and $50,000 for Collision, Comprehensive, and Specified Perils coverages to replace the current minimum deductible.

[75] The Company estimated the differentials for the new deductible levels from its current deductible differentials.

[76] Board staff have recommended the approval of the deductible changes and differential levels. The Board accepts the recommendation and approves them.

*Discount Changes*

[77] The Company proposed several changes to its Discounts:

- Introduction of a Conviction Free discount. A 10% discount would be given to a principal operator with no convictions in the last three years. Consistent with its offerings in Ontario, the Company's aim is to attract and retain drivers with clean records.
- Modification of the Multi-Vehicle Discount by changing the differentials for accounts with two or three vehicles. This change will harmonize with Ontario differentials and, the Company hopes, attract these risk profiles.
- Replacement of the Loyalty Discount with a new Renewal Discount. The change is part of a cross-country restructuring and rebranding of the discount. The only change is that the level of the new discount at the third renewal is 4%, instead of the current 5%.
- Removal of the Multi-Product Discount. The Company said that offering this discount is cost-prohibitive because the commercial property and commercial vehicle insurance arms of its business use different administrative systems, and further, there is little take-up of the discount.

[78] Board staff recommend approval of these discount changes, and the Board accepts the recommendation.

*Surcharge Changes*

[79] In addition to the removal of certain surcharges as discussed earlier in this Decision, Economical proposed some other changes to its surcharges:

- Removal of the Combined Conviction Surcharge which applied at a rate of 25% when the principal operator has four or more convictions, regardless of whether they were minor, major or serious. With the proposed removal, the Company proposed changes to its minor, major and serious conviction surcharges.

- The minor conviction surcharge will apply after two convictions instead of the current three, at an initial level of 5% and increasing by 10% for each of the next two subsequent convictions up to and including a fourth. Thereafter, a 15% surcharge will apply to any further convictions.
- The first major conviction surcharge will remain at 15%, and each subsequent major conviction will add 25%, rather than the current 5%.
- The first serious conviction will result in a surcharge of 100% rather than the current 50%, and each subsequent serious conviction will add 100% as it does currently.
- Economical proposed to "relocate" the conviction surcharges to rating factors. For example, instead of a surcharge of 15% for the first major conviction, a rating factor (or differential) of 1.15 would apply. There is no impact on premiums resulting from this change because in both approaches the premium is 15% higher.
- The Company proposed to "relocate" its accident surcharge to a rating factor.
- With the introduction of the Years Licensed and Years of Experience rating variables, the Company proposed to remove the Inexperienced Operator surcharge for the principal operator. However, an Inexperienced Secondary Operator surcharge will continue to apply at the current levels for secondary operators, although this will be "relocated" to a rating factor.
- Removal of the US Exposure Surcharge is proposed as the Company does not intend to underwrite risks with such exposure.

[80] The recommendation of Board staff to approve the surcharge changes and proposed "relocation" to rating factors is accepted and the changes are approved.

*Rating Algorithm Changes*

[81] Due to the introduction of new variables, the removal of other variables, changes to discounts and surcharges, and moving some current surcharges to rating factors, changes are required to the rating algorithm used by Economical.

[82] The Board accepts and approves the proposed changes to the algorithm.

*Endorsement Changes*

[83] In this Application, Economical proposed several changes to its endorsement offerings, some of which involve changes in standard wording to create new, non-standard endorsements. Those changes require the approval of the Superintendent of Insurance (SOI), which has not yet been granted. The Board is unable to approve those changes unless they are approved by the SOI and proposes that the Company may use an expedited approval process with the Board, once the SOI approval is received. Board staff have recommended the approval of them, if the SOI approves the non-standard endorsements. Those endorsements are for:

- The replacement of NSEF#4b Permission to Carry Radioactive Materials with a non-standard NPCF CD – Permission to Carry Densometer;
- The introduction of a new endorsement, NPCF TR – Transportation Replacement in place of the NSEF#20 - Loss of Use Endorsement – for light commercial vehicles;
- The introduction of a new endorsement, NPCF ELU – Enhanced Loss of Use – Downtime which offers the same protection as the NSEF#20 and proposed NPCR TR, but adds coverage which provides for loss of income up to selected limits;
- The replacement of SEF 43R/43R(L) – Limited Waiver of Depreciation/Limited Waiver of Depreciation (Specified Lessee) with NPCF DW/NPCF DW(L) which would expand the coverage terms and apply to light commercial vehicles only;
- The introduction of NPCF EDW/EDW(L) – Extended Depreciation Waiver/Extended Depreciation Waiver for Specified Lessees for light commercial vehicles to purchasers of used or demonstrator vehicles;
- The introduction of NPCF CRP – Conviction Rating Protector for light commercial vehicles which would be like an accident forgiveness waiver; and,
- A change in wording to clarify NPCF ELAM – Removing Coverage for Attached Machinery.
- Combining NSEF#16 – Agreement for Suspension of Coverage and NSERF#17 – Reinstatement of Coverage into a single non-standard endorsement NPCF CS-Coverage Suspension for light commercial vehicles only. The client will be allowed to select the time for suspension rather than the 60-consecutive day

suspension clause. The change results in a lower premium and aligns the CV offering with a similar private passenger endorsement.

- Replacement of NSEF#27 – Legal Liability for Damage to Non-Owned Vehicles with NPCF DN for light commercial vehicles. The dollar cap on the coverage will be removed and the premium will vary by rate group of the vehicle with the highest Collision rate group. The non-owned vehicle will be restricted to a similar exposure to the vehicle insured with the physical damage coverage.

[84] Should approval be granted by the SOI, the Board will address these proposed endorsement changes in its decision on the proposed expedited filing.

[85] The Company has also proposed the following changes to its endorsements:

- The pricing for NSEF#13c – Comprehensive Cover – Deletion of Glass changes to a percentage of the Comprehensive premium which was previously based on a grossed-up percentage of the Specified Perils premium. This is proposed to harmonize with other provinces.
- Offering NSEF#20 – Loss of Use endorsement for Heavy and Super Heavy vehicles only. The premium for Super Heavy vehicles will be 10% higher, as the Company believes there is a risk of higher expense for alternate vehicles. The Company also proposed to offer increase limits for the endorsement.
- Making NSEF#27B – Legal Liability for Damage to Non-Owned Automobile Endorsement, Business Operations for Non-Owned Vehicles in your Care, Custody or Control available to Heavy and Super Heavy vehicles with a change in pricing for the purposes of simplification.
- Increasing the vehicle value at which NSEF#40 Fire and Theft Deductible is required to be included.

[86] Board staff have recommended the approval of these endorsement changes, and the Board accepts the recommendation.

*Premium Dislocation Capping/Cupping*

[87] Economical recognized that the proposed changes will result in some dislocation for its clients, and therefore proposed the introduction of a premium dislocation cap which will apply on a per exposure, i.e., per vehicle basis to the premiums for all

coverages including SEF#44 (Family Protection Endorsement), but not to endorsement premiums.

[88] The proposal is to cap increases at 13% at renewal unless any of the following apply:

- The client has a new at-fault accident in the last 14 months;
- The client has had a conviction in the last 14 months; or
- The increase is more than 50%.

[89] The Company said in response to IR-1, Q.17, that it had chosen the 14-month period to capture relevant information in the period prior to policy renewals as it receives motor vehicle reports approximately two months prior to renewals.

[90] It also said that the 50% increase level was selected because its rates were inadequate for the uses of Sand & Gravel and Long Haul vehicles and wished to avoid subsidizing them. Removing the cap would have the desired effect.

[91] The Company also proposed to apply a negative premium cap, or in their words, a "cup" whereby premium decreases would not be any lower by a maximum of 26% at renewal. As required by the Board, the Company provided evidence to show that the premium foregone under the capped increases matches the extra revenue from the capped, or cupped (in the Company's terms), decreases.

**Manual Review**

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

## IV FINDINGS

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

[94] 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.

[95] The Board finds the proposed rates are just and reasonable.

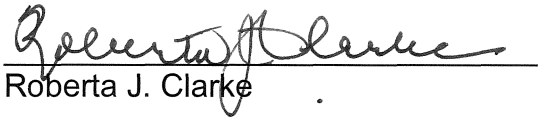
[96] The Application included full actuarial indications and the required territorial analysis; therefore, it qualifies to set the new mandatory filing date for CV, including IUT, for the Company to October 1, 2020.

[97] The Board approves the effective dates of June 4, 2018, for new business and July 15, 2018, for renewal business.

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

[99] An Order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 11th day of January, 2018.



Roberta J. Clarke