

DECISION

**2018 NSUARB 181
M08886**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -



IN THE MATTER OF AN APPLICATION by PAFCO INSURANCE COMPANY for approval to modify its rates for private passenger vehicles

BEFORE: Stephen T. McGrath, LL.B., Member

APPLICANT: PAFCO INSURANCE COMPANY

FINAL SUBMISSIONS: September 20, 2018

DECISION DATE: September 28, 2018

DECISION: Application is approved.

I INTRODUCTION

[1] Pafco Insurance Company (Pafco or Company) filed supporting documents and materials (Application) with the Nova Scotia Utility and Review Board (Board) for approval to modify its rates for private passenger vehicles. The Application, dated September 14, 2018, was filed electronically on September 17, 2018.

[2] Information Requests (IRs) were sent to the Company on September 17, 2018, and responses were received on September 18, 2018.

[3] As a result of a review by Board staff, a staff report dated September 20, 2018 (Staff Report), was prepared. The Staff Report was provided to the Company for review on the same date. The Company responded on September 20, 2018, 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 are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*.

III ANALYSIS

[6] The Company sought approval to change its rates for private passenger vehicles. The Application was made under s. 155H of the *Insurance Act*, R.S.N.S. 1989, c 231, and the Board's *Rate Filing Requirements for Automobile Insurance – Section 155H Expedited Approval (Rate Filing Requirements)*.

[7] Section 155H of the *Insurance Act* permits an insurer to apply for rates to be approved on an expedited basis if the average of the proposed rates for each coverage and category of automobile insurance does not exceed an amount that is prescribed by the Board. The Board currently permits expedited approval applications for changes to rates for private passenger vehicles that are less than or equal to 4% on an all coverage combined basis. Changes to risk-classification systems cannot be made with an expedited approval application.

[8] An application for expedited approval does not qualify to reset the mandatory filing date.

[9] The proposed effective dates are November 1, 2018, for new business and January 1, 2019, for renewal business.

Rate Level Changes

[10] The Company proposed an overall rate level increase of 4% to its rates.

[11] An application for expedited approval under the rate filing requirements does not require the production of updated actuarial indications. An insurer is still required to provide support for its proposed changes to base rates, but in doing so may compare its proposed rates to the indications and approved rate changes from its most recent mandatory filing or a more recent set of indications, if available. In some circumstances, other forms of justification for the proposed rates may also be permitted.

[12] In this case, Pafco compared its proposed rates to the indications it provided in its recently approved application for changes to its rates and risk-classification system for private passenger vehicles (2018 NSUARB 61). That application resulted in an

approved overall rate level increase of 6.0%, although the Board noted that the indicated overall rate level change was much higher.

[13] The overall rate level increase requested by Pafco in this Application, combined with its previously approved increase, is still well below the indications in Pafco's recently approved application. The Board notes, however, that Pafco compared its proposed rates in the current Application to the indications it had presented to the Board in its past application, even though those indications were not fully accepted by the Board.

[14] In its past Decision, the Board did not accept the 12% rate of return on equity (ROE) used in the development of Pafco's indications, but instead required indications using the 10% ROE. The indications used by Pafco for a comparison in the present Application should have been the indications accepted by the Board in its last Application, but in the circumstances of this case the result is the same. The proposed changes to rates in this Application, combined with its previously approved increase, are still less than its indications in Pafco's past application using a 10% ROE. As such, Pafco's ROE under the rates proposed in this Application would be expected to be less than 10%.

[15] In its Decision on the Company's last application, the Board noted that Pafco had proposed to leave its SEF #44 rate unchanged, despite a very large indicated decrease. The Board accepted this, noting that the premium charged by Pafco was considerably less than the industry average premium for this coverage. Pafco, in this Application, similarly proposed no change for its SEF#44 rate, and the circumstances have not changed.

[16] Board staff has recommended the approval of the rates proposed by Pafco in this Application, and the Board agrees.

Automobile Insurance Manual

[17] Board staff have reviewed the Automobile Insurance 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. Because the only changes requested in the Application are to rates, the Board does not require a new copy of the Automobile Insurance Manual.

IV FINDINGS

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

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

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

[21] The mandatory filing date for private passenger vehicles for the Company is maintained at March 1, 2020.

[22] The Board approves the effective dates of November 1, 2018, for new business and January 1, 2019, for renewal business.

[23] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 28th day of September, 2018.



Stephen T. McGrath