

DECISION

**2019 NSUARB 14
M09005**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -



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

BEFORE: Jennifer L. Nicholson, CPA, CA, Member

APPLICANT: UNIFUND ASSURANCE COMPANY

FINAL SUBMISSIONS: January 28, 2019

DECISION DATE: February 12, 2019

DECISION: Application is approved as modified.

I INTRODUCTION

[1] Unifund Assurance Company (Unifund 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 was dated December 10, 2018.

[2] Information Requests (IRs) were sent to the Company on December 17, 2018, and responses were dated January 12, 2019 (Saturday) and received on January 14, 2019 (Monday).

[3] As a result of a review by Board staff, a staff report dated January 16, 2019 (Staff Report) was prepared. The Staff Report was provided to the Company for review on the same date. The Company responded on January 18, 2019, indicating that it had reviewed the Staff Report and had a question regarding recommendations as well as corrections. A revised report was issued January 18, 2019. The Company responded on January 28, 2019, that it had no further 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 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 August 1, 2019. Board staff recommend resetting the mandatory filing date to December 1, 2020 and the Board agrees.

[7] The proposed effective dates are April 1, 2019, for new business and May 1, 2019, for renewal business.

Rate Level Changes

[8] The Company proposed to change its rates. The proposed change represents an overall rate level increase of 12.1%.

[9] 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;
- Credibility standards, procedure and complement of credibility;
- Premium (rate group drift) trends;
- Expense provisions, including Unallocated Loss Adjustment Expenses;
- Experience period and weights;
- Premium to surplus leverage ratio; and
- Target and proposed Return on Equity (ROE).

[10] Board staff found no issues with the Unifund indications and recommended the Board use these indications as the appropriate target against which to assess the reasonableness of the proposed rates. The Board agrees.

Return on Equity

[11] The proposed rates result in an ROE of 1.72% which is well below the Unifund and Board target of 10%. Unifund stated that in selecting the proposed average rate level changes it strives to balance competitiveness and retention of business while moving towards profitability targets. The change proposed by Unifund moves the rates more than halfway to the indicated level. Given this fact, Board staff recommend approval of the Unifund proposed rate changes for all coverages as filed and the Board agrees.

Premium Dislocation Cap

[12] Unifund proposed the introduction of a 20% premium dislocation cap that would limit the increase at renewal to 20% per vehicle provided there is no material change in risk. The dislocation tables provided indicate that a very small number of risks would be capped under the proposed cap. Board staff calculate that the impact of the cap would be immaterial to a change in rates.

[13] Unifund also indicated that the cap would apply to acquisitions and to portfolio transfers. The Board does not allow capping on broker-initiated portfolio transfers and does not approve a blanket cap for acquisitions such as that proposed by Unifund.

[14] Board staff recommends that the cap not be approved for any situation, and the Board agrees.

Automobile Insurance Manual

[15] Board staff have reviewed the Automobile Insurance Manual on file and found that it does not have a complete Manual on file but only a list of periodic updates. The Board directs Unifund to provide a complete Automobile Insurance Manual, as outlined in the Information Bulletin NSUARB-17-04.

FINDINGS

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

[17] 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.

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

[19] The Board does not approve the proposed introduction of the 20% premium dislocation cap for any situation.

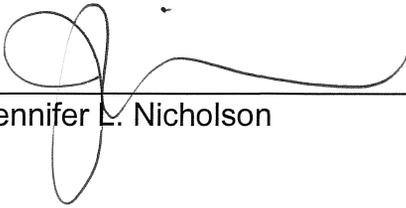
[20] The Application included full actuarial indications and the required territorial analysis; therefore, it qualifies to set the new mandatory filing date for private passenger vehicles for the Company to December 1, 2020.

[21] The Board approves the effective dates of April 1, 2019, for new business and May 1, 2019, for renewal business.

[22] 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.

[23] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 12th day of February 2019.



Jennifer L. Nicholson