

DECISION

**2020 NSUARB 83
M09744**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by **CHUBB INSURANCE COMPANY OF CANADA** for approval to change its rates and risk-classification system for private passenger vehicles

BEFORE: Richard J. Melanson, LL.B., Member

APPLICANT: **CHUBB INSURANCE COMPANY OF CANADA**

FINAL SUBMISSIONS: June 22, 2020

DECISION DATE: **June 29, 2020**

DECISION: **Application is approved.**

1.0 INTRODUCTION

[1] Chubb Insurance Company of Canada applied to the Nova Scotia Utility and Review Board to change its rates and risk-classification system for private passenger vehicles. Chubb applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Adopt IAO Rates (Rate Filing Requirements)*. The company proposes rate changes that vary by coverage.

[2] The Board must consider 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*. The Board is satisfied that Chubb's application meets these requirements and approves the proposed changes to the company's rates and risk-classification system.

2.0 BACKGROUND

[3] Board staff prepared a report to the Board with recommendations on the application (Staff Report). Before providing the Staff Report to the Board, Board staff shared it with Chubb. The company reviewed the report and informed Board staff that it agreed with the recommendations. The Board did not find it necessary to hold an oral hearing for this application.

[4] Chubb proposes to adopt the rates and risk-classification systems that the Board recently approved for IAO Actuarial Consulting Services Aon Reed Stenhouse Inc. (IAO) for private passenger vehicles [2020 NSUARB 7]. IAO provides consulting services to the insurance industry, including recommendations on rates to be used by insurers who subscribe to its services.

[5] An insurer wanting to adopt approved IAO rates may apply to the Board without the necessity of filing actuarial support if it can justify its use of the IAO rates. In order to obtain approval from the Board, the application must provide supporting evidence:

- Explaining why it is appropriate for the company to adopt the IAO rates;
- To adjust (downward only) the rates if the company wants to use a proposed return on equity (ROE) that is lower than the ROE approved for IAO; and,
- To adjust the rates, if desired, to reflect any differences in the company's expense ratio relative to that approved for the IAO rates.

[6] Chubb has only a small number of individually rated private passenger vehicle policies in Nova Scotia. It is unlikely that an actuarial analysis would produce meaningful results for these vehicles. In such circumstances, the Board agrees with Board staff's recommendation that it is reasonable for the company to adopt the IAO rates. Chubb proposes no adjustments to IAO's approved ROE and expense ratio. The application therefore meets the approval criteria established by the Board.

3.0 SUMMARY

[7] The Board finds that the application follows the *Act and Regulations*, as well as the *Rate Filing Requirements*.

[8] The Board is satisfied that Chubb's proposal to adopt the current IAO rates and risk-classification system for private passenger vehicles is just and reasonable and approves the changes effective August 1, 2020, for both new and renewal business.

[9] The financial information supplied by Chubb satisfies the Board, under Section 155I(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the company.

[10] Given that the current IAO rates and risk-classification system included the required actuarial analysis, the Board finds the application qualifies to set a new mandatory filing date under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The new mandatory filing date for Chubb for private passenger vehicles is June 1, 2022.

[11] Board staff reviewed Chubb's Automobile Insurance Manual on file and did not find any instances where the Manual contravened the *Act* and *Regulations*. The company must file an electronic version of its Manual, updated for the changes approved in this decision, within 30 days of the issuance of the order in this matter.

[12] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 29th day of June, 2020.



Richard J. Melanson