

**DECISION**

**2021 NSUARB 113  
M10228**

**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 commercial vehicles and interurban trucks

**BEFORE:** David J. Almon, LL.B., Member

**APPLICANT:** **CHUBB INSURANCE COMPANY OF CANADA**

**FINAL SUBMISSIONS:** August 18, 2021

**DECISION DATE:** **September 16, 2021**

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

## I 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 commercial vehicles and interurban trucks.
- [2] CHUBB applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Adopt IAO Rates (Rate Filing Requirements)*.
- [3] 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.

## II ANALYSIS

- [4] 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 had no further comments.
- [5] CHUBB proposes to adopt the rates and risk classification systems that the Board recently approved for IAO Actuary Consulting Services Aon Reed Stenhouse Inc. (IAO) for commercial vehicles and interurban trucks [2021 NSUARB 71] and [2021 NSUARB 72].
- [6] IAO provides consulting services to the insurance industry, including recommendations on rates to be used for insurers who subscribe to its services.

[7] An insurer wanting to adopt IAO rates under the Board's agreement with IAO must make an application that:

- Explains why it is appropriate for the company to adopt the rates;
- Adjust (downward only) the rates to reflect the desire to use a proposed return on equity that is lower than the return on equity approved for IAO (12%);
- Adjust the rates, if desired, to reflect any differences in the company's expense ratio relative to that included in the approved IAO rates (as modified, if done, by the Board in its decision).

[8] Board staff advises that CHUBB has a very small volume of individually rated commercial vehicles and does not have any individually rated interurban policies in Nova Scotia. It seems reasonable for CHUBB to adopt IAO approved rates. CHUBB also proposes no adjustments to IAO's 12% return on equity, nor does it propose any adjustments to IAO's expense ratios.

[9] CHUBB has supported both its decision to use IAO rates and to make no adjustments for differences in return on equity and expenses. Board staff recommend that the Board approve CHUBB's proposals. The Board agrees.

### **III SUMMARY**

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

[11] The Board is satisfied that CHUBB's proposal to adopt the current IAO rates and risk-classification system for commercial vehicles and interurban trucks, is just and reasonable and approves the changes effective October 1, 2021, for these vehicles.

[12] 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.

[13] 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 commercial vehicles and interurban trucks is August 1, 2024.

[14] Board staff reviewed CHUBB's Automobile Insurance Manual filed with the Board 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.

[15] An order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 16<sup>th</sup> day of September, 2021.

  
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David J. Almon