

**DECISION**

**2022 NSUARB 178  
M10789 & M10790**

**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**IN THE MATTER OF THE INSURANCE ACT**

**- and -**

**IN THE MATTER OF THE APPLICATIONS** by **SOMPO JAPAN INSURANCE INC.** for approval of its initial rates and risk-classification systems for private passenger vehicles and commercial vehicles

**BEFORE:** Julia E. Clark, LL.B., Member

**APPLICANT:** **SOMPO JAPAN INSURANCE INC.**

**FINAL SUBMISSIONS:** October 14, 2022

**DECISION DATE:** November 25, 2022

**DECISION:** **Applications are approved**

## I INTRODUCTION

[1] Sompo Japan Insurance Inc. applied to the Nova Scotia Utility and Review Board to approve its initial rates and risk-classification system for private passenger vehicles and commercial vehicles. Sompo applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Adopt IAO Rates (Rate Filing Requirements)*. The company proposes to adopt the IAO Actuarial Consulting Services Aon Reed Stenhouse Inc. (IAO) rates and risk-classification system, including the 2022 Canadian Loss Experience Automobile Rating (CLEAR) (Canada, Collisions, DCPD and Comprehensive Separated for Alberta & Atlantic Canada) and 2022 IAO Commercial rate group tables, for these vehicles, without modification.

[2] The Board must consider whether the proposed rates and risk-classification system are just and reasonable and in compliance with the *Insurance Act* and its *Regulations*. The Board is satisfied that Sompo's application meets these requirements and approves the company's proposed rates and risk classification system for private passenger vehicles and commercial vehicles.

## II ANALYSIS

[3] Board staff prepared a report to the Board with recommendations on the applications (Staff Report). Before providing the Staff Report to the Board, Board staff shared it with Sompo. The company reviewed the report and informed Board staff that it had no comments.

[4] Sompo proposes to adopt the rates and risk-classification systems that the Board recently approved for IAO for private passenger vehicles [2022 NSUARB 52] and commercial vehicles [2022 NSUARB 53]. IAO's applications included the actuarial and

territorial analysis required under a mandatory filing. An insurer wanting to adopt approved IAO rates may apply to the Board without filing its own actuarial support if the company can justify its use of the IAO rates.

[5] To adopt IAO rates, a company must make an application that:

1. Explains why it is appropriate for the company to adopt the rates;
2. Adjusts (downward only) the rates to reflect a desire to use a proposed Return on Equity (ROE) that is lower than the 12% ROE approved for IAO;
3. Adjusts the rates, if desired, to reflect any differences in the company's expense ratio relative to that included in the approved IAO rates, as may be modified by the Board in its discretion.

[6] Sampo is a new entrant to the Nova Scotia market. The company currently has no business in individually-rated private passenger vehicles or commercial vehicles. Board staff assessed Sampo's proposal to adopt rates based on the IAO approved rate as reasonable. Sampo proposes no adjustments to IAO's ROE nor expense ratios.

[7] Sampo has supported its proposal to use IAO rates without modification. The Board agrees with Board staff's recommendation that the Board approve Sampo's proposal.

### **Rate Group Tables**

[8] Sampo proposed to adopt the 2022 CLEAR Rate Group Table and 2022 IAO Commercial Rate Group Table that the Board previously approved for IAO. In these circumstances, it seems reasonable for Sampo to adopt the rate group tables. Board staff recommends the Board approve the company's adoption of these rate group tables for private passenger vehicles and commercial vehicles. The Board agrees.

### III SUMMARY

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

[10] The Board is satisfied that Sompo's proposal to adopt the current IAO rates and risk-classification systems for private passenger vehicles and commercial vehicles, without adjustments, is just and reasonable and approves the rates and risk classification system for new business effective January 1, 2023.

[11] The applications require the Board to set mandatory filing dates under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The first mandatory filing dates for Sompo are October 1, 2024, for private passenger vehicles and October 1, 2025, for commercial vehicles.

[12] An order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 25<sup>th</sup> day of November 2022.

  
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Julia E. Clark