

**DECISION**

**2025 NSUARB 38  
M12032**

**NOVA SCOTIA UTILITY AND REVIEW BOARD**

**IN THE MATTER OF THE INSURANCE ACT**

**- and -**

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

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

**APPLICANT:** **CUMIS GENERAL INSURANCE COMPANY**

**FINAL SUBMISSIONS:** January 28, 2025

**DECISION DATE:** **February 21, 2025**

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

## I INTRODUCTION

[1] CUMIS General Insurance Company applied to the Nova Scotia Utility and Review Board to change its rates and risk-classification system for private passenger vehicles. The company proposes rate changes that vary by coverage and result in an overall increase of 10.0%. In addition to changes to rates, the company also asks the Board to approve its adoption of the 2025 Canadian Loss Experience Automobile Rating (CLEAR) table for assigning rate groups for Accident Benefits and physical damage coverages, and to continue to use its approved renewal premium dislocation capping mechanism.

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

## II ANALYSIS

[3] CUMIS applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, CUMIS received and responded to Information Requests (IRs) from Board staff. 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 CUMIS. The company reviewed the report and informed Board staff that it had no comments.

[4] Board staff examined all aspects of the ratemaking procedure to make the recommendations in the Staff Report and suggested that the Board review CUMIS' profit

-provision. Board staff consider that CUMIS satisfactorily addressed all other aspects of the ratemaking procedure in its application and IR responses.

[5] The Board will examine the following issues in this decision:

- Profit Provision;
- Proposed Rate Changes;
- Adoption of 2025 CLEAR Table; and
- Renewal Premium Dislocation Cap.

### **Profit Provision**

[6] The Rate Filing Requirements note that generally, the Board considers a return on equity between 10% to 12% to be reasonable, assuming a premium-to-surplus ratio of 2:1. As explained in its decision on CUMIS' last application for private passenger vehicle rates (2024 NSUARB 43), the Board typically requires companies to use a 10% target return on equity unless the company can demonstrate that it differs from industry.

[7] CUMIS proposed a target return on equity of 12% in its indications. The Board has approved its use of 12% in previous applications, given CUMIS' demonstrated differences in its experience in Nova Scotia. In this application, CUMIS used a higher premium-to-surplus ratio. CUMIS says this change reflects a shift in the allocation of the company's investment assets that drove the ratio up. Coupled with the assumption for investment return on surplus, CUMIS' assumptions produce a profit provision slightly lower than the Board's target range of 5.5% to 7%.

[8] In response to questions from Board staff, CUMIS explained its approach and supported its use of the assumptions. CUMIS provided tables comparing Nova Scotia loss ratios to ratios for all of Canada. The results show loss ratios in Nova Scotia continue

to be higher than the loss ratio observed for the automobile industry for the whole country. The results suggest that the returns on equity may be even lower in Nova Scotia than the whole of Canada, which had results well below the 10% level.

[9] Board Staff recommend the Board continue to allow the use of the 12% return on equity in CUMIS' indications because its experience differs from average industry results. The Board agrees and finds it appropriate to use CUMIS' indications for the purpose of comparing whether its rate proposals are reasonable.

### **Proposed Rate Changes**

[10] CUMIS proposed changes to its current rates that vary by coverage. The changes are uniform by territory and result in an overall all-coverages combined increase of 10%. CUMIS based the proposed changes on indications that suggest it should adopt a higher all-coverage combined increase.

[11] The proposed rate changes generally follow the direction of the indications, other than for SEF#44 Family Protection Endorsement and Property Damage-Tort, where CUMIS opted for no change despite small indicated decreases. The company is taking lower than indicated increases for other mandatory coverages, and the resulting differences in average proposed premiums for SEF#44 and Property Damage – Tort from the indicated changes would be small.

[12] Because the proposal is for a smaller overall increase than indicated, the proposed rates produce a return on equity well below CUMIS' target of 12%. CUMIS indicates it is working toward rate adequacy while balancing year-over-year rate impacts on clients.

[13] Board staff recommended accepting CUMIS' proposed rates. The Board finds that the proposed changes to base rates are reasonable and accepts CUMIS' proposal.

### **Adoption of 2025 CLEAR Tables**

[14] Cumis currently uses the 2024 CLEAR Table (AB Alberta & Atlantic) – Collision, DCPD and Comprehensive Separated version to assign rating groups for Accident Benefits and physical damage coverages. The Board recently approved the 2025 version of that table for use. CUMIS proposed to adopt the 2025 version and off-balanced the impact of the table change to make it revenue-neutral.

[15] The Board approves CUMIS' adoption of the 2025 CLEAR table.

### **Renewal Premium Dislocation Capping Mechanism**

[16] In 2023, the Board approved CUMIS' use of a renewal premium dislocation capping mechanism that limits premium increases to 20% and decreases to 0% at renewal. The cap applies at the vehicle level and is used to smooth changes in premium for customers. CUMIS proposed to maintain its current cap methodology for renewal premiums.

[17] The Board allows a cap on renewal premium decreases if the extra premium is less than the premium foregone under the renewal premium increase cap. CUMIS demonstrated it met this requirement. CUMIS will re-examine its need for the cap at its next review.

[18] Board staff recommended the Board approve the proposal to continue the use of the current approved renewal premium dislocation capping mechanism. The Board agrees.

### III SUMMARY

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

[20] The Board finds the proposed rates are just and reasonable and approves the changes effective August 1, 2025, for new and renewal business.

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

[22] 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 CUMIS for private passenger vehicles is December 1, 2026.

[23] Board staff reviewed CUMIS' Automobile Insurance Manual filed with the Board and did not find any instances where the Manual contravened the *Act* and *Regulations*. Because the company proposed no changes to the manual, the Board does not require a new electronic copy.

[24] An order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 21<sup>st</sup> day of February 2025.

  
\_\_\_\_\_  
Julia E. Clark