DECISION **2025 NSUARB 39**
M12036

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by **CO-OPERATORS 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:	**CO-OPERATORS GENERAL INSURANCE COMPANY**
FINAL SUBMISSIONS:	February 4, 2025
DECISION DATE:	**February 21, 2025**
DECISION:	**Application is approved.**

I INTRODUCTION

[1] Co-operators 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 combined increase of 7.0%. In addition to changes to rates, the company also asks the Board to update its previously-approved model for the Vehicle Differential Variable to reflect the 2025 Canadian Loss Experience Automobile Rating (CLEAR) table, and changes to its 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 Co-operators' application meets these requirements and approves the company's proposed rates and risk-classification system.

II ANALYSIS

[3] Co-operators applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval* (*Rate Filing Requirements*). Since the filing of this application, Co-operators 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 Co-operators. The company reviewed the report and informed Board staff that, other than correcting a typo in the company name, it had no comments on the Staff report.

[4] Board staff examined all aspects of the ratemaking procedure to make the recommendations in the Staff Report and suggested that the Board further review Co-operators Health Services Levy amount and the profit provision. Board staff consider that Co-operators satisfactorily addressed all other aspects of the ratemaking procedure in its application and IR response.

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

- Health Services Levy;
- Profit Provision;
- Proposed Rate Changes;
- Other Operators Premium;
- Changes to Variables - Vehicle Differential; and
- Renewal Premium Dislocation Cap.

Health Services Levy

[6] In its indications, Co-operators used a Health Services Levy amount of $42.70 per vehicle. Co-operators obtained this number from exhibit AUTO1003-ATL_2023 published by the General Insurance Statistical Agency (GISA). The indicated effective date for that value in the GISA exhibit is January 1, 2023.

[7] Board staff notes that the invoiced Health Services Levy for 2024 was $49.58 per vehicle. Co-operators noted applying the higher value for the levy would increase the overall all-coverage indications by 0.6%

[8] Board staff recommend the Board require Co-operators to use the higher levy in its indications. The Board finds that using a lower value for the Health Services Levy is not justified when the Board has a more current estimate, even if it leads to indications for higher rates.

Profit Provision

[9] Co-operators used a target return on equity of 12%, consistent with its most recent application. However, it used a premium-to-surplus ratio higher than its last application and higher than the Board's recommended approach. Co-operators indicated they changed how they produce the premium-to-surplus ratio to better reflect the company's economic capital model. The change better aligns the company's internal risk evaluation and internal capital target. Coupled with the assumption for investment return on surplus, these assumptions produce a profit provision of 4.8%, lower than the Board's target range and slightly lower than that approved by the Board in the last private passenger vehicle filing.

[10] In previous applications, the Board allowed Co-operators to use a 12% return on equity based on the evidence demonstrating Co-operators' experience differed from the industry. The financial information in this filing continues to support this result, with only the years 2020-2021 showing a return of more than 12%. For these years, it is generally accepted that the COVID-19 pandemic's impact on driving experience contributed significantly to higher profits.

[11] During the information request process, the company provided tables comparing Nova Scotia's loss ratios and combined ratios to those for all of Canada. The five-year loss ratio in Nova Scotia is higher than the loss ratio observed for automobile insurance for the whole country. The company demonstrated that its results are different than industry's, and the Board accepts the recommendation to continue to allow Co-operators' use of the 12% return on equity in this application.

[12] Based on Board staff's recommendation, other than using the higher value for the Health Services Levy, the Board will use Co-operators' indications as the target to assess whether the proposal is reasonable.

Proposed Rate Changes

[13] Co-operators proposed increases for Bodily Injury, DCPD, Collision, and Comprehensive & Specified Perils, Uninsured Automobile, and no changes to other coverages. These proposed increases were in the direction of the Staff-indicated changes but lower than indicated. For Property Damage-Tort and Family Protection Endorsement (SEF#44), the company proposed no change despite indications for decreases. For Accident Benefits, the indications were for a very small increase, and for Property Damage-Tort, the indication was for a minimal decrease. Proposing no change to rates is reasonable in these circumstances. The indicated decrease for SEF#44 was larger; however, the company's average premium for this coverage remains below the industry average and lowering it further does not seem prudent.

[14] The proposal for an overall all-coverages combined increase that is smaller than called for by the indications produces a return on equity well below the allowed 12%. Co-operators noted that it selected the proposed rate level change to balance profitability with the rate impact on its customers. The company will conduct further analysis in its next application to determine if another rate increase is necessary.

[15] The Board finds that Co-operators supported its proposed changes, and Board staff recommended their approval. The Board approves the changes to base rates as proposed.

Other Operators Premium

[16] Co-operators used the indicated rate changes for principal operators weighted by the other operators' premium by coverage to produce an indicated rate change for other operators of an insured vehicle. This approach is consistent with the company's approach in previous applications.

[17] Although a moderate increase was indicated, the company proposed no changes to rates because the premium collected is very small for other operators, compared to other coverages. Therefore, Co-operators finds it unnecessary to apply changes to this coverage each year.

[18] Board staff recommended the Board approve the proposal for no changes in this application, noting Co-operators' plans to review how it rates other operators in future applications. The Board approves the maintenance of other operators' premiums, as proposed.

Vehicle Differential Variable – Update to 2025 CLEAR Table for GBM

[19] In a previous application, the Board approved Co-operators' Gradient Boosting Machine (GBM) model to score vehicles to assign differentials for Accident Benefits and physical damage coverages. The GBM model and its differentials replaced the company's reliance on CLEAR tables. In 2023, the Board approved the use of the 2023 CLEAR table as input into the model. The Board requires Co-operators to seek approval when updating the underlying CLEAR table reflected in the model.

[20] The methodology used to develop the proposed GBM model is consistent with previous matters. Cooperators off-balanced the impact of the use of the updated

2025 CLEAR table, which the Board approved effective December 1, 2024, in the GBM to make the change revenue-neutral.

[21] Board staff recommended the Board approve the proposed GBM model using the 2025 CLEAR table. The Board agrees and again notes that the company must apply for approval of a new GBM, should it wish to update the CLEAR table used as input to that model.

Renewal Premium Dislocation Capping

[22] In a previous decision (2023 NSUARB 61), the Board approved Co-operators' use of its Gap Factor Capping mechanism, which allows the company to increase rates more when there are larger gaps between the existing premiums being paid and the new uncapped premium, rather than applying a set cap on increases for all policies. In the last application, the Board approved modifications to the Gap Factor Capping (2024 NSUARB 52).

[23] Co-operators proposed changes to lower the capping boundaries for increases of less than 25%, and for decreases. The company and Board staff confirmed that the premium foregone under the cap on increases exceeds any extra premium collected on decreases, which satisfies the Board's requirement for its continued use of the cap on decreases.

[24] The company proposed to maintain its previously approved conditions for the circumstances when the cap does not apply. It will re-evaluate the capping program in its next rate review. Board staff recommended the Board approve maintaining the Gap Factor Capping mechanism with the changes as proposed. The Board agrees.

III SUMMARY

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

[26] The Board finds the proposed rates are just and reasonable, and approves the changes effective June 11, 2025, for new business and July 11, 2025, for renewal business.

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

[28] 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 Co-operators for private passenger vehicles is December 1, 2026.

[29] Board staff reviewed Co-operators' Automobile Insurance Manual filed with the Board and did not find any instances where the Manual contravened the *Act* and *Regulations*. The Board does not require Co-operators to provide an updated manual for this matter because the proposal results in no changes to the existing Manual.

[30] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 21st day of February 2025.

Julia E. Clark