

DECISION

**2024 NSUARB 189
M11914**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by **THE DOMINION OF CANADA GENERAL INSURANCE COMPANY** for approval to change its rates and risk-classification system for commercial vehicles including interurban trucks.

BEFORE: Jennifer L. Nicholson, CPA, CA, Member

APPLICANT: **THE DOMINION OF CANADA GENERAL
INSURANCE COMPANY**

FINAL SUBMISSIONS: October 23, 2024

DECISION DATE: **November 22, 2024**

DECISION: **Application is approved.**

I INTRODUCTION

[1] The Dominion of Canada General Insurance Company applied to the Nova Scotia Utility and Review Board to change its rates and risk-classification system for commercial vehicles including interurban trucks. The company proposes rate changes that vary by coverage and result in an overall increase of 14.9%. To support this proposal, Dominion provided actuarial indications that suggest Dominion should increase its rates overall by a slightly higher amount.

[2] Dominion also proposed adopting the 2024 Canadian Loss Experience Automobile Rating (CLEAR) tables to assign rate groups for physical damage coverages and Accident Benefits for light commercial vehicles. Dominion will also modify its CLEAR Adjustment Table, Vehicle Symbol table, List Price New (LPN) Differentials and Model Year differentials, which in part rely on the CLEAR table.

[3] 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 Dominion's application meets these requirements and approves the company's proposed rates and risk-classification system.

II ANALYSIS

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

[5] Board staff examined all aspects of the ratemaking procedure to make the recommendations in the Staff Report. The only issue that arose surrounding the Dominion analysis of its rate level needs that warrants further discussion is the selected loss trends. All other issues identified were resolved through the IR process.

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

- Loss trends;
- Proposed rate changes; and
- Adoption of 2024 CLEAR Table and changes to associated variables.

Loss Trends

[7] In making its selections, Dominion reviewed 20 years of industry data up to December 2023. Dominion developed trend values for frequency, severity and loss costs using different subsets of this data including all 20 years, the most recent 10 years, and the most recent five years. After reviewing how well the model fit the data and applying actuarial judgement, the company made its selections for past trends. For some coverages, Dominion excluded data from the pandemic period given its marked difference from non-pandemic years. Dominion chose a future trend equal to the past trend for all coverages, except Collision, where Dominion used a slightly higher future trend.

[8] Oliver Wyman performed a similar analysis focusing on 20 years of industry data up to December 2022. Oliver Wyman reviewed frequency, severity and loss costs when making the selections. Oliver Wyman tended to focus on the more recent years of data but did examine trends for a variety of time periods. Where the commercial data was not that credible, Oliver Wyman focused on the loss costs rather than frequency and

severity. Oliver Wyman selected future trends that equaled the past trends. At the time of the application preparation, Oliver Wyman had not reviewed the 2023 data.

[9] Dominion provided indications using the Oliver Wyman trends. While the differences in some cases are large, the overall difference is much smaller. As well, Oliver Wyman updated its views on loss trends after reviewing the 2023 data. Board staff believe the use of these trends, along with the one-time severity shocks coincident with the rise in inflation which Oliver Wyman includes, would move the results closer together. Board staff recommends the Board allow the use of the Dominion selected trends in the circumstances of this application only and the Board agrees.

Comparison of Proposed Rates to Indicated Rates

[10] Board staff recommend the Board use the Dominion indications as the appropriate target against which the Dominion proposal should be assessed for reasonability.

[11] Dominion proposed increases for Bodily Injury, DCPD, Collision and Comprehensive while leaving the other coverages unchanged. The increases are in the direction of the indicated increases and are close to the level of the indicated increase.

[12] With the overall rate increase being lower than the indicated increase, the return on equity produced by the proposed rates is under the Board's 10% target for return on equity.

[13] Board staff recommends the Board approve the proposed rate changes. The Board agrees.

Adoption of 2024 CLEAR Tables and Changes to Associated Variables

[14] In its last application, Dominion adopted the 2021 CLEAR tables to assign rate groups to light commercial vehicles. At that time, Dominion updated its Model Year Differentials, its CLEAR Adjustment Table, and Vehicle Symbol table. These other tables rely on the CLEAR tables. Dominion uses the published CLEAR differentials for Accident Benefits and its own differentials for the remaining coverages.

[15] Dominion proposed to adopt the 2024 CLEAR table approved by the Board. Dominion will also make the required changes to the other tables that rely on the CLEAR table as a base.

[16] To recognize the increase in automobile theft observed in the industry, Dominion also adjusted its CLEAR Rate Group differentials and LPN differentials for Comprehensive to reflect the increase in claims costs. The changes focus on vehicles most at risk for, or prone to, theft. Given the credibility of Nova Scotia data is low, Dominion relied on Ontario information, when making its changes.

[17] Dominion noted the proposed changes were approved by the Ontario regulator in July 2023 and were also approved for use in Newfoundland and Labrador and in Prince Edward Island in March 2024 and October 2023 respectively.

[18] Dominion off-balanced the impact of these changes to make the adoption of the new tables and differentials revenue-neutral.

[19] Board staff recommends the Board approve the proposed adoption of 2024 CLEAR Tables, the proposed changes to the other associated tables and differentials, and the off balancing of the impact. The Board agrees.

III SUMMARY

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

[21] The Board finds the proposed rates are just and reasonable, and approves the changes effective February 15, 2025, for new business and March 15, 2025, for renewal business.

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

[23] 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 Dominion for commercial vehicles including interurban trucks is October 1, 2027.

[24] Dominion proposed no changes to its Automobile Insurance Manual. Board staff reviewed the manual on file and found no area where the company is in violation of the *Regulations*. Because the proposed changes do not impact the Automobile Insurance Manual (e.g., rates are not included in the manual), the Board does not require Dominion to provide an updated manual.

[25] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 22nd day of November 2024.



Jennifer L. Nicholson