

DECISION

**2024 NSUARB 114
M11691**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

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

BEFORE: M. Kathleen McManus, K.C., Ph.D., Member

APPLICANT: **THE PERSONAL INSURANCE COMPANY**

FINAL SUBMISSIONS: June 10, 2024

DECISION DATE: **June 26, 2024**

DECISION: **Application is approved.**

I INTRODUCTION

[1] On May 1, 2024, The Personal Insurance Company (TPIC) 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 14.0%. In addition to rate changes, the company also asks the Board to approve modification of its renewal premium dislocation cap.

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

II ANALYSIS

[3] TPIC applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, TPIC received Information Requests (IRs) from Board staff. In response, TPIC filed an amended application including a revised proposal on May 31, 2024. 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 TPIC. The company reviewed the report and informed Board staff that it agreed with the recommendations and had no further comments.

[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 certain

issues. Board staff consider that TPIC 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:

- Proposed rate changes; and,
- Premium dislocation cap.

Proposed Rate Changes

[6] Board staff reviewed all aspects of the company's ratemaking procedures. After receiving the information request responses and the amended application, Board staff found no issues with the company's development of its indicated rate level need that required further comment or change. Board staff recommends the Board use the company's indications as revised in the information request project, as the target to assess the reasonableness of TPIC's proposal. The Board agrees.

[7] In its revised application, TPIC based its proposed changes on the revised actuarial indications. For all coverages except for Property Damage-Tort, TPIC's proposed changes are in the direction of, but smaller than, the indicated changes. TPIC uses a combined premium for Bodily Injury and Property Damage-Tort which results in the proposed change applying to both coverages which leads to the direction difference for the latter coverage.

[8] The overall proposed increase is slightly lower than the indicated change. The proposal continues the approach TPIC has taken in moving stepwise towards its indicated increases. This step is larger than the previous step.

[9] The proposed changes produce a return on equity that TPIC estimates as 8.36%. This result is below the lower end of the Board's range of reasonability of 10-12% and the target of 10%, which TPIC selected.

[10] Board staff finds that TPIC supported the revised proposed changes to its base rates. Board staff recommends the Board approve the proposed rate changes, as revised in the amended application. The Board agrees.

Premium Dislocation Cap

[11] TPIC currently applies a premium dislocation cap that automatically limits premium increases at renewal to 15% on any individual risk where the renewal increase exceeds \$50. TPIC applies no cap to premium decreases at renewal. The company noted the cap does not apply to its separate charge for the Health Services Levy. TPIC proposed to continue the use of a renewal premium dislocation cap but proposed to increase the level from 15% to 20%. The circumstances by which the cap will be removed will also remain unchanged.

[12] Board staff recommends the Board approve the continued use of a renewal premium dislocation cap using the proposed higher 20% level. The Board agrees.

III SUMMARY

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

[14] The Board finds the proposed rates are just and reasonable, and approves the changes effective August 2, 2024, for new business and October 1, 2024, for renewal business.

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

[16] 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 TPIC for private passenger vehicles is May 1, 2026.

[17] Board staff reviewed TPIC's Automobile Insurance Manual filed with the Board and did not find any instances where the Manual contravened the *Act* and *Regulations*. The company does not have to file an updated electronic version of its Manual because the proposal resulted in no changes to the Manual.

[18] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 26th day of June, 2024.



M. Kathleen McManus