

DECISION

**NSUARB-INS-10-39
2010 NSUARB 164**

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by **AXA INSURANCE (CANADA)** for approval to modify its rates for commercial vehicles

BEFORE: Murray E. Doehler, CA, P.Eng, Member

APPLICANT: **AXA INSURANCE (CANADA)**

FINAL SUBMISSIONS: June 23, 2010

DECISION DATE: **August 5, 2010**

DECISION: **Application is approved.**

I INTRODUCTION

[1] AXA Insurance (Canada) ("AXA" or the "Company") filed an application with the Nova Scotia Utility and Review Board (the "NSUARB" or "Board") for approval of its rates for commercial vehicles. The supporting documents and materials (the "Application") dated and electronically sent on May 31, 2010, were physically received by the Board on June 3, 2010.

[2] Information requests ("IRs") were sent to AXA on June 4, 2010, and responses were received from the Company on June 15, 2010.

[3] As a result of a review by Board staff, a report, dated June 21, 2010 (the "Staff Report"), was prepared and provided to the Company for its review. The Company responded on June 23, 2010, indicating it had no further comments, and requesting the Board to proceed with the Application.

[4] The Board did not deem it necessary to hold an oral hearing on the Application.

II ISSUE

[5] The issue in this Application is whether the proposed rates are just and reasonable and in compliance with the *Insurance Act* (the "Act") and *Regulations*.

III CONFIDENTIALITY

[6] In the Application AXA requested additional sections, in addition to those already pre-approved by the Board, be kept confidential. The additional sections are:

section 4 (questions 14 and 15), section 7 (manual pages classified for internal purposes only), and section 9. The reason being:

The additional sections described above contain rates and rating structure details on the dependency of other categories of vehicles. They also contain the geographical distribution of exposures as well as current and proposed average premiums and internal use manual pages. The disclosure of the information stated above is considered to be detrimental to our competitive position and thus should not be disclosed to any third party.

[7] The Board does not find the reasons for confidentiality for section 4 (questions 14 and 15) and section 9 compelling, and does not consider them to be confidential. The Board does accept the section 7 filing of the manual pages marked “for internal purposes only”, to be confidential.

IV ANALYSIS

[8] The Company sought approval to change its rates for commercial vehicles. The Application was made in accordance with the *Board's Rate Filing Requirements for Automobile Insurance - Section 155G Prior Approval* (the “Rate Filing Requirements”).

[9] The Application was submitted to meet the Company’s mandatory filing date of June 1, 2010. As the Application included the required actuarial indications, it qualifies to reset the mandatory deadline to June 1, 2013.

[10] The proposed effective date is October 1, 2010, for new and renewal business.

Rate level changes

[11] AXA proposes to change its rates based upon a comparison of the premium it currently charges to that which the Company would charge if it adopted the rates recommended by IAO Actuarial Consulting Inc. (“IAO”). The impact of the changes is an overall rate level increase of 2.6% based on the proposed 5% increase to Third Party Liability (“TPL”) rates only.

[12] The Board had approved the use of the 2007 IAO rates which forms the basis of this Application. When the total of the premiums as written by AXA are compared to the total using IAO rates, there are significant differences by coverage. The AXA premium for TPL is significantly less than IAO premiums. This is offset by over charges in all the other coverages such that, in total, the proposed AXA premiums are slightly less than the IAO premiums by 2.5%.

[13] If AXA had fully adopted the IAO rates there would be a large dislocation at renewal for its customers. Up to 94 insureds would see increases, some of which would be significant, while all the others would experience reductions. To minimize disruption AXA has elected to gradually move towards IAO rates.

[14] The Board notes that IAO has submitted new rates for commercial vehicles for approval. If these new rates, which have not yet been approved, were used, the total premium would have been higher, making the differential greater.

[15] AXA has indicated that they do not intend to actively market this coverage.

[16] As the total number of policies is small, and AXA does not plan to actively pursue this market, the Board accepts the proposed rate change in the Application.

Interurban Rate Classes

[17] For classes 51 and 61 (interurban trucks), AXA is proposing to make no changes. AXA indicated that it does not write policies for these vehicles in Nova Scotia at this time and it does not plan to actively seek this business. However, it wants to have rates available for use so that should the Company want to write a vehicle on an accommodation basis only, it could do so without applying, at that time, to the Board for approval.

[18] No support was given by the Company to maintain the rates. A comparison of the premiums to the IAO calculated premiums for two sample profiles indicated small differences for these classes.

[19] Given the rarity of AXA insuring these vehicles, the Board accepts that these rates should not change for this Application.

Rate Manual Review

[20] Other than changes to the base rates, the Company made no changes to its rate manual. The review of the manual by Board Staff found that the Company is in compliance with the *Act* and *Regulations*.

V FINDINGS

[21] Based upon the information provided, the Board finds the proposal of AXA, as described in its Application, to change its current rates, to be just and reasonable.

[22] The Application is in compliance with the Rate Filing Requirements and qualifies to set the new mandatory filing deadline to June 1, 2013.

[23] The Board approves the effective date of October 1, 2010, for new and renewal business.

[24] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 5th day of August, 2010.

Murray E. Doehler