DECISION **2025 NSRAB 48**
M12209

NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

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

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

APPLICANT: **ALLSTATE INSURANCE COMPANY OF CANADA**

FINAL SUBMISSIONS: May 8, 2025

DECISION DATE: **June 26, 2025**

DECISION: **Application is approved.**

I INTRODUCTION

[1] On April 9, 2025, Allstate Insurance Company of Canada (Allstate) applied to the Nova Scotia Regulatory and Appeals 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 8.0%. In addition to changes to rates, the company also seeks to: make changes to its territorial differentials; adopt the 2025 Canadian Loss Experience Automobile Rating (CLEAR) table; make changes to the Multi-Line Discount; modify its renewal premium dislocation capping mechanism; and make changes to the Automobile Insurance Manual, including underwriting and rating rules.

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

II ANALYSIS

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

[4] Board staff examined all aspects of the ratemaking procedure to make the recommendations in the Staff Report and determined that Allstate satisfactorily addressed all 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;
- Changes to Territorial Differentials;
- Adoption of 2025 CLEAR Table;
- Changes to Multi-Line Discount;
- Changes to the Renewal Premium Dislocation Capping Structure; and,
- Changes to Automobile Insurance Manual.

Proposed Rate Changes

[6] With no recommendations for changes to the underlying assumptions used by Allstate, the Staff Indications equal the Allstate indications. Board staff recommend that the Board use the Allstate indications as the appropriate target to use to assess the reasonableness of the proposed changes. The Board agrees.

[7] For all coverages, Allstate proposed changes that equal the indicated change. As a result, the proposed rates would produce a return on equity equal to the allowed 10%. Board staff recommend the Board approve the proposed changes to base rates. The Board agrees.

Territorial Definitions and Differentials

[8] Allstate proposed no changes to its Territory definitions, but did propose changes to its territorial differentials.

[9] The company conducted an analysis of its territorial differentials. Allstate compared the combined ratios for each territory to the overall combined ratios for each

coverage that uses Territory as a rating variable. After applying credibility weights to those relationships and using the current differentials as the complement of credibility, Allstate produced the indicated differentials. Using these indications and after considering the company's competitiveness (as measured by sales and quotes distribution), Allstate selected the proposed differentials by territory and coverage. The deviations from the indicated differentials were generally small. The analysis performed seems reasonable, as do the selected changes. Allstate did not off-balance the impact of the proposed changes but instead let them flow through to the overall proposed change.

[10] Board staff recommend the Board approve the proposed changes to territorial differentials. The Board agrees.

Adoption of 2025 CLEAR Table

[11] Allstate currently uses the 2024 CLEAR (Canada, Collision and DCPD Combined, for Alberta & Atlantic Canada) table to assign rate groups for physical damage coverages and Accident Benefits. In this application, Allstate proposed to adopt the 2025 version of this table. The Board approved this table for use in Nova Scotia effective December 1, 2024. Allstate provided the impact by coverage of the table change. The impact overall was small. Allstate did not off-balance the impact but allowed the change to form part of the overall rate change.

[12] Board staff recommends the Board approve the proposed adoption of the 2025 CLEAR table. The Board agrees.

Multi-Line Discount

[13] Allstate provides a discount on an automobile policy, when the insured also has a property policy (e.g., Homeowners, Tenant, Condominium) with Allstate. The level of discount varies by the type of property policy.

[14] The company conducted an analysis of combined ratio (e.g., loss ratio plus expense ratio) to determine the indicated discounts for each of the property policy types. This analysis led Allstate to increase the discount for insureds with a Homeowners policy and to raise the discount for insureds with a Condominium policy. These changes were in the direction of the indications, but the size of the change was lower than indicated for Condominium policies and slightly higher than indicated for Homeowner policies.

[15] Board staff recommend that the Board approve the changes to the Multi-Line Discount. The Board agrees.

Changes to Renewal Premium Dislocation Capping Mechanism

[16] In its last filing, Allstate received approval for changes to its renewal premium dislocation capping mechanism. Those changes resulted in a premium dislocation cap that limited renewal premium increases to 36.0%, and renewal premium decreases to 0.0%. In this application, Allstate proposed to increase the cap on renewal premium increases to 44.0% and renewal premium decreases to 0.0%.

[17] When a company proposes to use negative capping (i.e., limiting the renewal decreases), the Board requires the company to show that the premium foregone from the positive cap (i.e., limiting the renewal increases) is greater than or equal to the extra premium collected from the negative cap. Allstate stated that the capped impact of the proposed changes was the same as the uncapped impact. This result would comply

with the Board requirements, as the premium foregone must be equal to or less than the extra premium collected to achieve this result. However, the dislocation charts show that under the capping and the proposed changes, no risk has its renewal premium increases capped. As such, it appears the company will not give up any premium from the positive cap, while it will benefit from extra premium from the cap on decreases. In that case, the proposed cap appears to violate the Board's requirement that the premium foregone on the positive cap must equal or exceed the extra premium collected from the negative cap.

[18] When asked about this apparent violation, Allstate noted the dislocation tables display the impact of the changes proposed in this application only, as required. When the impact of previously approved rate changes is factored in with the proposed changes in this application, without applying the cap, some policies would see renewal premium increases in excess of the new capping limit. As a result, Allstate will forego premiums on these policies. Allstate chose the capping limits so that the overall extra premium collected on renewal premium decreases equals the premium foregone on renewal premium increases, meeting the Board requirement.

[19] As the current capping structure does, the proposed capping structure applies as long as there is no material change in risk (i.e., no territory change, no increase or decrease in the number of convictions or at-fault accidents at renewal). If there is a material change, Allstate will change the capping levels to allow more of the expected impact of the material change to be observed. For example, if the client at renewal has fewer at-fault claims that can be used in rating, the client expects the premium will drop. Allstate alters the cap on decreases to allow more of that impact to flow through. Allstate provided scenarios to show the proposed impacts on the capping levels of certain material

changes in risk. The capping limit changes for these scenarios seem reasonable.

[20] Allstate expects this capping mechanism to be in place for two years. If that changes, Allstate will approach the Board with details. This short time frame is consistent with the Board’s view that such caps should be removed quickly.

[21] Board staff recommend the Board approve the proposed renewal premium dislocation capping mechanism. The Board agrees.

Changes to Automobile Insurance Manual

[22] Allstate proposed changes to its Automobile Insurance Manual, including:

- increasing the maximum vehicle value allowed from $150,000 to $175,000, to keep the limit in line with the increasing vehicle values observed due to inflation;
- increasing the minimum deductible from $1,000 to $2,000, where the risk has two or more Comprehensive claims in three years or three or more Comprehensive claims in six years, because of inflation;
- not considering a lapse in coverage of 24 months or more as a ratable lapse if it results from the insured being deployed outside of Canada on active military duty, as long as they seek insurance within 60 days of returning to Canada;
- modifying the credit-based rating variable, Insurance Score, to consider the score for the insured’s spouse if the spouse has provided consent to do a credit check and is a principal or occasional operator of the vehicle, and to use the best of the two scores when rating the vehicle;
- changing the manual wording for endorsement NSEF#40 Fire and Theft Deductible, to show it applies to all vehicle types; and,
- changing the eligibility criteria for its ATV Claims Free Discount to require five years of insurance to verify claims experience as this insurance history is the only way to verify that the insured is claims free.

[23] None of the changes to declination rules (i.e., rules by which the company chooses not to write a policy) or other underwriting rules appear to violate the *Insurance Act* or its *Regulations*.

[24] Board staff recommends the Board approve the proposed changes to the underwriting rules. 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 August 3, 2025, for new business and September 26, 2025, for renewal business.

[27] The financial information supplied by Allstate 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 Allstate for private passenger vehicles is April 1, 2027.

[29] Board staff reviewed Allstate's Automobile Insurance Manual filed with the Board as well as the proposed changes and did not find any instances where the Manual contravened the *Act* and *Regulations*. The company must file an electronic version of its Manual, updated for the changes approved in this decision, within 30 days of the issuance of the order in this matter.

[30] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 26th day of June, 2025.

M. Kathleen McManus