DECISION **2026 NSRAB 67**
M12692

NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

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

BEFORE: Bruce H. Fisher, MPA, CPA, Member

APPLICANT: **CAA INSURANCE COMPANY**

FINAL SUBMISSIONS: March 11, 2026

DECISION DATE: **April 30, 2026**

DECISION: **Application is approved.**

I INTRODUCTION

[1] CAA Insurance Company (CAA) 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 0.5%. In addition to changes to rates, the company also asks the Board to approve its adoption of the 2026 Canadian Loss Experience Automobile Rating (CLEAR) table. Other changes CAA proposed include a new vehicle Class (07A) for artisan vehicles, revisions to the waiver of depreciation endorsements, and a credit-based rating variable called the Insurance Score.

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

II ANALYSIS

[3] CAA applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval* (*Rate Filing Requirements*). Since the filing of this application, CAA has 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 CAA. 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. Based on the review, Board staff advised there were no issues surrounding the CAA analysis of its rate level needs that warranted more discussion. With no assumptions requiring changes, Board staff recommend the Board use the CAA indications as the appropriate target to assess the reasonableness of the company's proposal. The Board agrees.

[5] CAA did not attempt to align its changes with the indications but rather, except for the Family Protection Endorsement (SEF#44), sought to target no change by coverage. The small changes proposed are the result of minor rounding differences. For SEF#44, CAA targeted a 0.5% increase. The overall 0.5% premium increase includes the impact of the Limited Waiver of Depreciation endorsements, discussed later.

[6] The overall change falls below the indicated change overall, resulting in a return on equity of 7.22%, below the 10% target normally set by the Board. Board staff recommend the Board approve the proposed base rate changes. The Board agrees.

Other Proposed Changes

Territorial Base Rates

[7] CAA proposed no changes to its territories or territorial differentials. The Board does not require a territorial analysis in these circumstances and CAA did not provide one.

Adoption of the 2026 CLEAR Table

[8] To assign rate groups for physical damage coverages, CAA currently uses the 2025 CLEAR table (Canada, Collision and DCPD Combined for Alberta & Atlantic Canada). CAA proposes to adopt the 2026 version of this table, which the Board approved

for use in Nova Scotia late last year. CAA off-balanced the small overall impact that resulted from the adoption of the new table to make the change revenue-neutral.

[9] Board staff recommend the Board approve the proposed adoption of the 2026 CLEAR table. The Board agrees.

Revision to the Premium Formula for Limited Waiver of Depreciation Endorsements

[10] CAA offers two Limited Waiver of Depreciation Endorsements (NSEF#43R and NSEF#43R(L)) that insulate the client from the effect of depreciation in the event of the total loss of the vehicle from an insured peril within 60 months of the original purchase or lease date.

[11] CAA currently bases the premium for the coverage provided by these endorsements on the Collision rate group assigned to the vehicle and the year of ownership (e.g., Year 1 is the first 12 months after purchase, Year 2 is 12-24 months).

[12] CAA proposed changing this approach to use the higher of the Comprehensive rate group and the Collision rate group. The company noted that total loss is not restricted to Collision only and therefore, it should consider the Comprehensive rate group when determining the appropriate premium. CAA noted that about half of the time, the Comprehensive rate group exceeds the Collision rate group.

[13] CAA also conducted an analysis that indicated the premiums for the endorsement should increase dramatically in addition to the impact from the change in formula. Based on that analysis, CAA proposed a 30% increase in the premiums, which was lower than the indication.

[14] The inclusion of the Comprehensive rate group in the premium formula and the 30% premium increase combine for an overall increase of 0.5% for the entire portfolio. As noted earlier, the 0.5% overall increase shown in earlier tables reflects this change.

[15] Board staff concluded that both the indication and the proposal seem reasonable in the circumstances. Board staff recommend the Board approve the proposed changes to the premium and the premium formula for the Limited Waiver of Depreciation endorsements. The Board agrees.

Introduction of Artisan Class (07A)

[16] CAA proposed the introduction of the Artisan Class (07A) for vehicles used by tradespeople to travel to job sites and carry their tools. CAA does not currently write these vehicles as they are more of a business use or a commercial risk. The company recognizes that the Nova Scotia region has a large group of these vehicles and allowing them to be written opens a new segment to the company.

[17] These vehicles will be treated as if they were Class 07 (business use) and will use the Class 07 rates. To accommodate the writing of these vehicles, CAA will also change its business use definition to remove any restrictions on the kilometres driven.

[18] Because the company currently does not write artisan vehicles, there is no impact from this change.

[19] The company will also introduce NSEF#30- Excluding Operation of Attached Machinery Endorsement, which removes coverage for loss or damage resulting from the ownership, use or operation of the described machinery or apparatus mounted on or attached to the automobile while at the site of intended use or operation. This

endorsement must be added to any artisan vehicle and there is no premium for the endorsement.

[20] Board staff recommend the Board approve the proposed introduction of the Artisan Class (07A), the changes to the Automobile Insurance Manual to accommodate the introduction, and the addition of the NSEF#30 endorsement required to be put on the artisan vehicles. The Board agrees.

New Rating Variable – Insurance Score

[21] CAA proposed the introduction of a new rating variable that relies on a client's credit information (i.e., Insurance Score) to determine eligibility for a discount. CAA will introduce this new variable to better reflect financial responsibility.

[22] CAA will require clients who seek a potential discount that reflects better credit ratings, to consent to the company obtaining a credit score from its credit information supplier. Clients do not have to provide consent to be insured by CAA. Clients who do not consent receive CAA's non-discounted rates. Clients who do consent may benefit from a potential discount if their insurance score is good enough to warrant one. At most, a client will pay the non-discounted rates. That is, the client's insurance score will not increase rates.

[23] CAA expects to refresh the client's credit score periodically. A client can revoke their consent at any renewal, and the policy will revert to undiscounted rates at the next renewal. Only employees who need access to the actual score will be able to access it and agents/brokers will only see the consent and date field. The company views this approach as a method to protect privacy.

[24] CAA conducted an analysis to determine the indicated differentials for the various Insurance Score groupings. CAA used its claims experience for 2023 through 2025 for the Atlantic provinces and Ontario. Using all Atlantic provinces and Ontario provides enough data for the analysis to be more credible. The company believes the use of data from provinces other than Nova Scotia will not unduly influence the analysis.

[25] The company estimated the premium impact of introducing this variable and off-balanced this impact to make the addition of the rating variable revenue-neutral. That is, the company will collect the same premium in total, but it will allocate that premium differently to risks based on this variable.

[26] The Board has allowed other insurers to use credit information to rate automobile policies. Board staff recommend the Board approve the proposed introduction of the credit-based rating variable, Insurance Score, including the proposed differentials, and the proposed changes to base rates to off-balance the expected impact of the introduction of the discount to make it revenue-neutral. The Board agrees.

Underwriting and Rating Rule Changes

[27] CAA will change its Binding Authority to not allow writing, increasing coverage or adding new risks to a policy within a 25 km radius of an area under a severe or extreme weather warning, watch or advisory event issued by a government body (e.g., Local Government, Environment Canada, Conservation Authority). CAA will continue this restriction until the emergency or major weather event/fire is over and lifted. The company notes that severe or extreme weather includes (but is not limited to) hurricane, tornado, windstorm and any resulting flood, snowslide, “landslide” or any other earth movement.

[28] CAA says it made the change to align with industry practice, to maintain consistency across the organization and market research and to align with the approach used in CAA Insurance's Property line of business.

[29] The proposed change does not violate the *Insurance Act* or its *Regulations*. Board staff recommend the Board approve the proposed changes to underwriting and rating rules. The Board agrees.

III SUMMARY

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

[31] The Board finds the proposed rates and other changes are just and reasonable, and approves them effective September 1, 2026, for new business and November 1, 2026, for renewal business.

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

[33] 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 CAA for private passenger vehicles is February 1, 2028.

[34] Board staff reviewed CAA's Automobile Insurance Manual filed with the Board and did not find any instances where the Manual contravened the *Act* or *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.

[35] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 30th day of April 2026.

Bruce H. Fisher