DECISION **2026 NSRAB 93**
M12803

NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by **DEFINITY 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: **DEFINITY INSURANCE COMPANY**

FINAL SUBMISSIONS: May 19, 2026

DECISION DATE: **July 7, 2026**

DECISION: **Application is approved.**

I INTRODUCTION

[1] On April 13, 2026, Definity Insurance Company (Definity) applied to the Nova Scotia Regulatory and Appeals Board (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 7%. In addition to changes to rates, the company also asks the Board to approve the following modifications of its rates and risk-classification system: change to the Vehicle Age rating variable; change to the Policy Driver Count rating variable; change to the Years Licensed x Gender rating variable; change to the Minor Conviction Count rating variable; change to the Renewal Discount; and continued use of its Board approved Premium Dislocation Capping. Definity also seeks approval to the 2026 Canadian Loss Experience Automobile Rating (CLEAR) table.

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

II ANALYSIS

[3] Definity applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval* (*Rate Filing Requirements*). Since the filing of this application, Definity 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 Definity. The company reviewed the report and informed Board staff of areas of the Staff Report which it believed were incorrect and provided additional information. Board staff sent a revised Staff Report to Definity. The company 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 Definity 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;
- Rating algorithm changes;
- Changes to rating variable – Vehicle Age;
- Changes to rating variable – Policy Driver Count;
- Changes to rating variable – Years Licensed x Gender;
- Changes to rating variable – Minor Conviction Count;
- Changes to Renewal Discount;
- Continuing the Premium Dislocation Capping; and
- Adoption of the 2026 CLEAR Table.

Loss Trends

[6] Definity based its selected loss trend rates on a review of its own experience in Nova Scotia through to December 31, 2025. Definity argued that it represents a sizeable portion of the market in the province and that its short-tail coverages are fully credible. As a result, Definity believes its volume of vehicles is sufficiently large enough to warrant the use of its own data to determine loss trends. For long-tailed coverages (e.g., Bodily Injury and Accident Benefits), Definity also considered industry data when making its selections.

[7] Definity used a multivariate regression model when doing its loss trend analysis. The company examined frequency and severity separately and based its loss trend selections on the results of regressions with the best fit for these elements. The company varied the experience period it used to determine the loss trend selections. Definity tended to use more current data (e.g., 2017-2025) when making its selections.

[8] The Definity model included Google Mobility data as another explanatory variable aimed at assessing the COVID-19 impact. The model also includes a severity inflation factor designed to capture the sudden increase in physical damage costs in 2021 and 2022. The model provided severity inflation adjustment factors for physical damage coverage and COVID-19 multiplier adjustments for all coverages.

[9] Definity selected a future trend rate, or prospective trend, that equaled its past trend selection for all coverages.

[10] With the release of the industry claims experience data through December 2024, Oliver Wyman, the Board's consulting actuaries, developed assumptions for loss trends for private passenger vehicles. Oliver Wyman reviewed data from 2005 through 2024 but tended to rely on more current data when making its selection. Oliver Wyman developed loss trends with the impact of COVID-19 removed. Oliver Wyman then identified adjustments that could be made to reflect the new normal post-pandemic frequency. Oliver Wyman included suggested excess inflation factor adjustments to recognize higher than normal inflation observed. Oliver Wyman examined trends for frequency, severity, and loss cost information. Oliver Wyman made its selections after examining both 5 and 10 years of data, on a half-yearly basis. For future trends, Oliver Wyman selected the most recent past trend, assuming it would continue.

[11] Definity did provide indications using the Oliver Wyman assumptions. The indication using Oliver Wyman trends, is for an overall increase slightly lower than those using Definity trends.

[12] The Board generally would not allow the use of company-only data to develop trends, given that the data may not be of sufficient size to discern credible trends. However, because Definity represents about one-twelfth of the Nova Scotia market, its experience seems large enough to allow its use to develop trends, the Board allowed Definity to use its own data to develop trends in the past. The Board finds no reason to change that determination for this application.

[13] Board staff recommends the Board accept the Definity loss trends, including the severity inflation adjustments and COVID-19 adjustments, as the appropriate ones for use in determining the indications to be used as the target to assess the reasonableness of the Definity proposal. The Board agrees.

Staff Indications

[14] Based upon the recommendation to accept Definity's indications, Board staff recommends the Board use Staff indications, which are the revised Definity indications, as the appropriate target to assess the reasonableness of the company's proposal. The Board agrees.

Proposed Rate Changes

[15] Definity proposed changes that are lower than indicated for all coverages except Uninsured Automobile and Family Protection Endorsement (SEF#44), and Specified Perils. Rather than lowering these rates for SEF#44 by the small indication, Definity chose to leave the rates unchanged.

[16] Given the limited exposure for Specified Perils (i.e., about 0.01% of exposure carries this coverage) and despite the indication for a much smaller increase, Definity chose to propose a change consistent with the Comprehensive change. Specified Perils provides a subset of the Comprehensive coverage, and such an approach is commonly used.

[17] Because the proposed overall change is lower than the indicated change, the proposed rates produce a return on equity of 5.49%, which is well below the Definity 10% target, and is also the low end of the Board's range for a reasonable return on equity. Definity supported the proposed changes to base rates.

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

Rating Algorithm Changes

[19] Definity uses a unique formula to determine the premium it will charge based upon approved rates. Definity uses its rates to develop an Expected Loss Cost using rates and differentials for its selected rating variables. Definity then puts this Expected Loss Cost into its formula to get the Charged Premium. The values for the variables were updated to those used in the revised calculation of the indicated rate level needs.

[20] Board staff recommends the Board approve the proposed profit factors and the proposed expense factors in the rating algorithm, as provided in the information request response amendments.

Proposed Changes to Existing Rating Variables

[21] Definity proposed changes to four of its existing rating variables. Those variables are Vehicle Age, Policy Driver Count, Years Licensed x Gender, and Minor Conviction Count.

[22] Definity conducted a univariate analysis based on its own loss experience. The experience covered accident years 2020 through 2025. Definity brought this data to current rate level through an extension of exposure method, to properly reflect current rates in the loss ratio, allowing for use of additional historic years compared to prior filings. Definity used five years of data to capture the historical loss experience more fully for the province.

[23] The company developed indicated differential changes relative to the overall average loss ratio incurred for each coverage and variable, rendering any issues regarding not developing the claims to ultimate values immaterial. Where the data was not credible, Definity chose no change as the complement of credibility.

[24] When making its proposal, Definity also considered its competitive position. The company used an analysis of recent quote-to-bind statistics (i.e., the number of quotes that resulted in a sale) to assess its market position. Definity also examined its renewal versus new business mix. Examining the mix helps identify if the company is growing in areas where it does not want to or where it is underpriced or overpriced if growth falls off.

[25] The company included the impact of the differential changes for each variable in the total amount off-balanced to make the changes revenue-neutral.

Vehicle Age

[26] Definity proposed changes to the Vehicle Age differentials for Third Party Liability, Collision, Comprehensive, and Specified Peril coverages. Definity based the changes on the indicated differentials arising from the analysis of the expected loss costs for the various vehicle age levels. The competitive analysis suggested the company should improve its position for newer vehicles. When making its proposal, Definity also considered this information. Definity also increased the granularity of its differentials by breaking the 15+ years group into individual years 15-19 and a 20+ group.

[27] Board staff recommends the Board approve the changes to Vehicle Age. The Board agrees.

Policy Driver Count

[28] The Policy Driver Count variable alters the premium for Third Party Liability, Direct Compensation Property Damage (DCPD) and Collision based on the number of drivers on the vehicle. Currently, the variable acts to surcharge premiums (i.e., differential exceeds 1.000) when the vehicle has three or more drivers for Collision and when the vehicle has two drivers for DCPD. The premise is that with more people available to drive, the vehicle will be on the road more frequently, increasing the risk the vehicle poses to Definity. The differentials are all 1.000 for Third Party Liability (i.e., the variable has no impact for this coverage).

[29] In this application, Definity proposes changes to the differentials when there are three or more drivers on the vehicle for Collision. No changes are proposed to the Third Party Liability or DCPD differentials. The analysis showed the claims experience for vehicles with three or more drivers is worse than vehicles with fewer drivers. Definity

proposed increasing the differential for three or more drivers. The proposed differential change follows the credibility-weighted indicated differential for three or more drivers, but the magnitude is smaller.

[30] Board staff recommends the Board approve the changes to Policy Driver Count. The Board agrees.

Years Licensed x Gender

[31] Definity proposed changes to the Years Licensed x Gender differentials for Third Party Liability. The loss ratio analysis showed the loss ratio for inexperienced drivers (i.e., years licensed zero to nine) was better (i.e., lower) than the average loss ratio. The review of quotes bound ratios showed a lower ratio of business placed for inexperienced drivers, suggesting the premium could be lowered to improve the competitive position. With this information, Definity chose to lower the differentials for inexperienced drivers for Third Party Liability. The company made no changes to the differentials for other coverages.

[32] Board staff recommends the Board approve the changes to Years Licensed x Gender. The Board agrees.

Minor Conviction Count

[33] Definity proposed increases for all minor conviction counts (excluding zero convictions). Because Definity does not have many exposures with two or more minor convictions, the company looked at other information to determine its proposed changes. The company observed a growing percentage of vehicles with minor convictions for both new business and renewal business. Definity was concerned about anti-selection

associated with being underpriced for such risks. The proposed increases address these concerns.

[34] Board staff recommends the Board approve the changes to Minor Conviction Count. The Board agrees.

Renewal Discount

[35] Definity provides a discount for policies that have been with the company for three or more years. This discount is a two-tiered structure, starting with a smaller discount at three years and increasing to larger discount for six years onwards. The company noted that in other provinces, the discount is not tiered but instead stays at the smaller discount for three years or more. In order to harmonize Nova Scotia with the other provinces, Definity proposed the lowering of the discount for six years onwards to the same level as the three years.

[36] The company included the impact of the discount change in the total amount used to determine the off-balancing adjustments to make all the proposed changes revenue-neutral.

[37] Board staff recommends the Board approve the proposed change to the Renewal Discount. The Board agrees.

Premium Dislocation Capping

[38] In order to manage the impact the proposed changes will have on its clients, Definity will continue to use its Board approved premium dislocation cap. The cap applies on a per exposure (or per vehicle) basis. The cap applies to all coverages, but not endorsements except SEF#44. The mechanism limits both renewal premium increases and decreases.

[39] The company caps premium at renewal unless the client, in the last 14 months, has had a new at-fault accident or a conviction. If a new vehicle or coverage is added at renewal that was not in the prior term, the cap does not apply to that new vehicle or coverage.

[40] To include negative capping (i.e., limits on renewal decreases), the Board requires the premium foregone on the positive cap to exceed or equal the extra revenue collected on the negative cap. Definity provided information that showed the uncapped increase slightly exceeds the capped increase. This result demonstrates that the capping program complies with this requirement.

[41] Board staff recommends the Board approve the continued use of the premium dislocation capping program. The Board agrees.

Adoption of 2026 CLEAR Table

[42] Definity currently uses the 2025 CLEAR table to assign rate groups to vehicles for Accident Benefits and physical damage coverages. The company uses the CLEAR (AB Alberta & Atlantics) – Collison and DCPD Combined version of the table. In this application, Definity proposed the adoption of the 2026 version of this table, which the Board approved for use in Nova Scotia, effective October 15, 2025. Definity identified the impact of the adoption of the 2026 table and included that impact in the off-balancing calculations.

[43] Board staff recommends the Board approve the proposed adoption of the 2026 CLEAR. The Board agrees.

[44] Definity advises that the systems for Sonnet Insurance Company, a sister company, and its own systems access the same CLEAR table. Both companies must

change the table on the same effective date. Definity proposed effective dates for new business and renewals of September 17, 2026, and November 21, 2026, respectively to align the dates with implementation for Sonnet. These dates differ from the effective dates of the rest of the proposed changes in the application. The Board approves this request.

III SUMMARY

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

[46] The Board finds the proposed rates are just and reasonable, and approves the changes effective July 23, 2026, for new business and October 21, 2026, for renewal business, except for the adoption of the 2026 CLEAR table which will be effective October 1, 2026, for new business and December 30, 2026, for renewal business.

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

[48] 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 Definity for private passenger vehicles is April 1, 2028.

[49] Board staff reviewed Definity's Automobile Insurance Manual filed with the Board and did not find any instances where the Manual contravened the *Act* and *Regulations*. Definity proposed no changes to its Automobile Insurance Manual because the amount of the Renewal Discount is not displayed in its Manual, none of the changes

resulted in a revision of the Manual. Accordingly, there is no need for Definity to file an updated electronic version of its Manual.

[50] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 7th day of July 2026.

M. Kathleen McManus