

**DECISION**

**2026 NSRAB 51  
M12659**

**NOVA SCOTIA REGULATORY AND APPEALS BOARD**

**IN THE MATTER OF THE INSURANCE ACT**

**- and -**

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

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

**APPLICANT:** **ECHELON INSURANCE**

**FINAL SUBMISSIONS:** February 6, 2026

**DECISION DATE:** **April 7, 2026**

**DECISION:** **Application is approved.**

## I INTRODUCTION

[1] On December 24, 2025, Echelon Insurance (Echelon) applied to the Nova Scotia Regulatory and Appeals Board (Board) to change its rates and risk-classification systems for private passenger vehicles to enhance its rate segmentation. The changes involved the introduction of eight new rating variables, and revisions to the differentials for some existing rating variables. Echelon estimated the impact of these changes and off-balanced them to make the changes revenue-neutral.

[2] The Board must consider whether the proposed rates and risk-classification systems are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*. The Board is satisfied that Echelon's application meets these requirements and approves the company's proposed rates and risk-classification system.

## II ANALYSIS

[3] Echelon applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, Echelon received and responded to Information Requests (IRs) from Board staff. Board staff prepared a final report to the Board with recommendations on the application (Staff Report). Before providing the Staff Report to the Board, Board staff shared it with Echelon. The company reviewed the report and informed Board staff that it had no further comments.

[4] Echelon proposed the implementation of a Generalized Linear Model (GLM/model) framework for rating private passenger vehicles. The goal of the change is

to enhance its ability to properly assign a premium to the risk a vehicle poses to the company to improve the equity within its rating algorithm.

[5] To develop the proposed changes, Echelon undertook a GLM analysis of its own data from 2018 to 2023. The company explained that the 2024 data was not available when it began the analysis, so it relied on data through 2023 only. In the model Echelon split the data into training and holdout datasets, as is typically done by companies undertaking this type of analysis.

[6] Echelon developed separate frequency and severity models by coverage for Bodily Injury, Direct Compensation Property Damage (DCPD), Accident Benefits, Collision, and Comprehensive. Due to low credibility, the remaining coverages (Property Damage, Uninsured Motorist, and Underinsured Auto) will follow the current rate structure and differentials. Echelon then fitted rating variables and tested for their statistical significance. Variables that are statistically significant and improve model performance are kept in the model. Echelon then validated the model on the holdout data and excluded any variables that did not exhibit consistency between the training and holdout data.

[7] The company obtained the final model indicated relativities by fitting the models on the combined training and holdout data. Based on these indications, Echelon proposed differentials for the new and existing rating variables. The Board will examine the new rating variables and changes to the existing rating variables in this decision.

### **New Rating Variables**

[8] Echelon proposed the introduction of eight new variables, identifying to which coverages they would apply and with the associated differentials. The company included the impact of the introduction of these variables, as part of the impact of all

proposed changes that would be off-balanced to make them revenue-neutral. The proposed new variables are:

*a. Number of At-Fault Claims (6 years)*

[9] This variable captures the number of ratable at-fault claims that the insured has had within the past six years. The expectation is that more of such claims indicate a propensity to have more of these claims in the future. The current rating algorithm uses a variable that counts the number of ratable at-fault claims which the insured has had in the past three years. Despite the model showing that the six-year version of the number of at fault claims variable was not significant for Bodily Injury, Echelon left it in but uses the same differentials as its three-year version of the variable. The company did the same for Property Damage-Tort.

[10] The model showed the variable was significant for Accident Benefits but suggested the same differential should apply for two or more such claims. To make the variable more intuitive, Echelon adjusted the relativities for three or more claims to gradually increase with each higher number of claims. Board staff viewed this adjustment as appropriate.

*b. Drivers Per Policy*

[11] This variable reflects a count of listed drivers on the policy. Echelon noted that policies with multiple listed drivers may qualify for a discount, recognizing shared vehicle usage and potentially reduced individual driving exposure. The model showed this variable as significant for Accident Benefits and Collision only. The model suggests a large discount where there were two or more drivers on the policy. Echelon selected a smaller discount than indicated for prudence.

*c. Drivers Per Risk*

[12] This variable captures the count of listed drivers for a given vehicle. The model showed it was significant for DCPD only. The indications suggested a large discount, which Echelon adjusted by taking a smaller discount for prudence and to reduce dislocation.

*d. Years with Echelon*

[13] This variable measures how many years the insured has been with Echelon. The expectation is a longer tenure with the company would correlate with loyalty and lower lapse or claim rates. The model suggested this variable should only be used for Collision.

[14] Instead of using a discount approach, Echelon will apply the variable to surcharge new business (i.e., less than one year). While the model did not indicate the variable was predictive for this coverage, Echelon included it for Accident Benefits using the Collision differentials. Echelon explained that the models showed Business Type (i.e., new business versus renewal business) was significant for Accident Benefits, with new business attracting a higher premium. Echelon used the Years with Echelon variable to reflect this relationship for this coverage.

*e. Nonpayment*

[15] This variable indicates whether the insured has had a nonpayment or cancellation for nonpayment within the past three years. The variable will apply to Collision only. The company chose a differential based on the model results.

*f. Camera*

[16] This variable identifies if the vehicle has safety cameras (rear view, surround view), as identified in the Insurance Bureau of Canada (IBC)'s Vehicle Description Table. The model suggests that the existence of such cameras increases the cost of Collision claims due to expensive repair and recalibration costs. The company selected a differential based at the indicated level.

*g. Curb Weight*

[17] This variable reflects the actual weight of the vehicle (in kilograms) without passengers or cargo, as listed in IBC's Vehicle Description Table. The DCPD model showed this variable as significant. Echelon adopted the indicated differentials for this variable.

*h. Wheelbase*

[18] This variable captures the Wheelbase (in millimeters) of the vehicle, or the horizontal distance between a vehicle's front and rear axles, as identified in the IBC's Vehicle Description Table. The variable was significant for Collision. Echelon used the indicated differentials and interpolated where its wheelbase distinctions were finer than those used in the model.

[19] Board staff recommends the Board approve these variables. The Board agrees.

**Existing Rating Variable Changes**

[20] Echelon reviewed the model results for most of its existing rating variables and proposed some changes to the differentials.

[21] For At-Fault Claims (3 Years), Echelon removed the variable from Bodily Injury, Property Damage-Tort and Accident Benefits. The company made this change to avoid double-counting the impact of at-fault claims, given the new At-Fault Claims (6 years) variable will apply to these coverages.

[22] Where Echelon modified differentials, the company based the changes on the indicated differential with some actuarial judgement applied to ensure logical progression, to avoid counter-intuitive results or to minimize the dislocation associated with a move to the full indications. Echelon explained the various judgments it applied.

[23] Echelon included the impact of these proposed changes in the amount it used in its off-balancing calculations to make these changes revenue-neutral.

[24] Board staff recommends the Board approve the proposed changes to the existing rating variables, the proposed differentials, where applicable, and the off-balancing of the impact of these changes. 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 May 1, 2026, for new business and July 1, 2026, for renewal business.

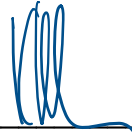
[27] The financial information supplied by Echelon satisfies the Board, under Section 155I(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the company.

[28] The application does not qualify to set a new mandatory filing date under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The mandatory filing date for Echelon for private passenger vehicles stays at January 1, 2027.

[29] Board staff reviewed Echelon's Automobile Insurance Manual filed with the Board 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 7<sup>th</sup> day of April 2026.



---

M. Kathleen McManus