

DECISION

**2026 NSRAB 59
M12688**

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 all-terrain vehicles and snow vehicles

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

APPLICANT: **ECHELON INSURANCE**

FINAL SUBMISSIONS: February 26, 2026

DECISION DATE: **April 21, 2026**

DECISION: **Application is approved.**

I INTRODUCTION

[1] Echelon Insurance (Echelon) applied to the Nova Scotia Regulatory and Appeals Board to change its rates and risk-classification system for all-terrain vehicles and snow vehicles. The company proposes rate changes to base rates that vary by coverage and result in an overall increase of 10% for both all-terrain vehicles and snow vehicles.

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

II ANALYSIS

[3] For all-terrain vehicles, Echelon applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval* and for snow vehicles under *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval - Minor*. The annual written premium for all-terrain vehicles exceeded the Board threshold for use of the *Prior Approval - Minor* requirements. The Board combined the applications into one matter for convenience.

[4] Since the filing of this application, Echelon 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 Echelon. The company informed Board staff that it had no comments.

[5] Board staff examined all aspects of the ratemaking procedure to make the recommendations in the Staff Report. Based on that review the only issue that warrants further discussion is the profit provision.

Profit Provision

[6] Echelon used a 12% return on equity and a premium to surplus ratio, which varied by coverage but resulted in an overall ratio of 1.95:1. Echelon changed its approach from using a 2:1 premium to surplus ratio for all coverages to using a ratio of 1.5:1 for long-tailed coverages and 2.5:1 for short-tailed coverages, harmonizing the company's approach across vehicle types. Using these inputs produces a Board profit provision, which is just above the top end of the Board range of 5.5% to 6.9%.

[7] In recent decisions, the Board, concerned about the level of profit observed for the industry, as measured by return on equity, forced some companies to use a 10% return on equity. When asked why Echelon should not be required to make a similar adjustment, the company explained that, as a non-standard insurer, it insures drivers that standard market carriers do not want to write due to inexperience or a poor driving record. Echelon believes it should attract a higher return than standard carriers because it takes on these higher risks.

[8] The Board recognized this extra risk in previous applications and allowed Echelon to use an 11% return on equity. Given the Board allows Facility Association, the insurer of last resort, who insures clients who are higher risk than those Echelon insures, to use 11%, the Board determined the company should not be allowed to use a higher return on equity than 11%.

[9] Echelon provided indications using an 11% return on equity and the result was a small reduction in the indicated need.

[10] Board staff recommend the Board require Echelon to use an 11% return on equity and the company's selected premium to surplus ratios by coverage in this filing, despite the small impact on the overall indication. The Board agrees.

Indications and Proposed Rates

[11] In all cases where Echelon proposed a change, that change is in the direction of the indication, but the size is smaller, hence the proposed rates are lower than indicated. As a result, the proposed rates will produce a return on equity well below the 11% allowed return on equity.

[12] Echelon explained that it made its overall proposed change based on the indications, consideration of the company's competitive position, and input from its underwriters. Having decided upon the overall 10% increase for both all-terrain vehicles and snow vehicles, and after determining which coverages to increase, Echelon selected the size of the changes to produce the overall indicated change selected. This approach seems reasonable for these vehicles.

[13] Board staff recommend the Board approve the proposed changes for both all-terrain vehicles and snow vehicles. The Board agrees.

III SUMMARY

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

[15] The Board finds the proposed rates are just and reasonable, and approves the changes effective June 1, 2026, for new business and August 1, 2026, for renewal business for both all-terrain vehicles and snow vehicles.


[16] 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.

[17] 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 Echelon for all-terrain vehicles and snow vehicles is January 1, 2029.

[18] Board staff reviewed Echelon's Automobile Insurance Manual filed with the Board and did not find any instances where the Manual contravened the *Act* or *Regulations*. Because only rates are changing and rates are not included in the Manual, the Board does not need Echelon to file a revised Automobile Insurance Manual.

[19] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 21st day of April 2026.



Bruce H. Fisher