

DECISION

**2025 NSRAB 20
M12169**

NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by **FACILITY ASSOCIATION** for approval to change its rates and risk-classification system for interurban vehicles

BEFORE: Julia E. Clark, LL.B., Vice-Chair

APPLICANT: **FACILITY ASSOCIATION**

FINAL SUBMISSIONS: April 14, 2025

DECISION DATE: **May 7, 2025**

DECISION: **Application is approved.**

I INTRODUCTION

[1] Facility Association applied to the Nova Scotia Regulatory and Appeals Board to change its rates and risk-classification system for interurban vehicles. The company did not propose any changes to its base rates, other than to off-balance the impact of a change to its Base Limit Factors to make that change revenue neutral. The company also asks the Board to approve its use of the Class rating variable for Direct Compensation Property Damage (DCPD), Accident Benefits, and Uninsured Automobile, and the Driving Record variable for Accident Benefits and Uninsured Automobile. Facility also seeks approval of corrections to its Rate Manual to reflect its current practice.

[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 Facility's application meets these requirements and approves the changes.

II ANALYSIS

[3] As recommended by Board staff, Facility applied under a simplified version of the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, Facility 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 Facility. The company reviewed the report and acknowledged Board staff's recommendations without further comments.

[4] The Board will examine the following issues in this decision:

- Class and Driving Record Differentials
- Removal of Excess Limit Factors from Rate Manual and Rebasing of Limit

Class and Driving Record Differentials

[5] Facility proposed to extend the Class rating variable to its DCPD, Accident Benefits and Uninsured Automobile coverages. The company also wishes to add Driving Record as a rating variable for Accident Benefits and Uninsured Automobile coverages. Facility proposed no changes to the Class and Driving Record differentials for its other coverages that already use those rating variables.

[6] Facility notes adding these changes are part of the harmonization of its rating plans across jurisdictions. Facility will set the differentials to 1.000 for the added coverages, so that the changes have no impact. Facility is merely creating a rating structure that will be common across provinces. Under the simplified filing, Facility has not provided supporting evidence to justify its use of a different differential for these coverages. Facility acknowledges that its current request seeks approval of the rating structure only, not the use of the variables for the additional coverages in this jurisdiction.

[7] Board staff recommended the Board allow Facility to update its rating plan to allow it to harmonize its structure across jurisdictions. The Board approves the proposed rating structure with the differentials for the new coverages set to 1.000 so there is no impact on premium for this change. However, the Board emphasizes that, should Facility opt to change the differentials from 1.000 to a value that would impact premiums

for the added coverages, the company must provide detailed support showing that the variable is predictive of risk and the selected differentials are warranted.

Removal of Excess Limit Factors from Rate Manual and Rebasing of Limit

[8] For Bodily Injury and Property Damage-Tort coverages, Facility's rate manual indicates that current limit factors over \$1,000,000 are excess limit factors. The rate manual pages apply a base limit factor differential and then use the excess limit factors in a separate step of the premium calculation. Facility uses separate factors for interurban vehicles with Chemical/Petroleum Products, Explosives, or Radioactive Materials as cargo, and another set for Other Cargo.

[9] However, Facility says this calculation step in the rate manual does not match its current rating algorithm. The current rating algorithm only applies a single limit factor. Facility proposed to remove the excess limit factors and the additional step in the rate manual. Instead, it will apply a single limit differential to the base premium. The change will correct the rate manual pages and simplify the rating algorithm.

[10] Facility will rebase its increased limit differentials to set the base premium as the rate for \$500,000 limit for Other Cargo. Facility then redetermined the increased limit factors, using the new base to produce a set of new differentials.

[11] Facility adjusted base rates so that this change did not result in the collection of more premium than is currently collected on the portfolio of interurban vehicles, making it revenue-neutral.

[12] Board staff recommended the Board approve the correction to the rate manual to remove the excess limit factors and additional calculation step, as well as the

rebasing of the increased limit factors to the \$500,000 Other Cargo base. The Board approves the rate manual changes, the rebasing, and rate changes resulting from the off-balancing of the impact of the rebasing.

III SUMMARY

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

[14] Facility proposed an effective date, both for new business and renewals, on a date falling 100 days after the Board approves the application, rounded to the 1st of the following month. This methodology is consistent with past Facility applications and the Board approves it. The resulting effective date is September 1, 2025.

[15] Because Facility is not an insurance company, rather it is backstopped by its member insurance companies operating in Nova Scotia, the company did not provide any financial information. Recent examinations of the mandatory filings of these member companies satisfy the Board, under Section 155I(1)(c) of the *Act*, that the changes proposed by Facility in this application are unlikely to jeopardize the solvency or financial well-being of the Facility member companies.

[16] 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 Facility for interurban vehicles stays at September 1, 2026.

[17] Board staff reviewed Facility's online Automobile Insurance Manual and did not find any instances where the Manual contravened the *Act* and *Regulations*. Facility is

directed to post its revised Manual online, reflecting the changes approved in this decision, within 30 days of the date of the Board's Order in this matter.

[18] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 7th day of May 2025.



Julia E. Clark