

DECISION

**2026 NSRAB 39
M12447**

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 of amendments to its existing rates and risk-classification system for commercial vehicles

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

APPLICANT: **FACILITY ASSOCIATION**

FINAL SUBMISSIONS: January 23, 2026

DECISION DATE: **March 23, 2026**

DECISION: **Application rejected as filed. Facility is directed to refile rates matching the staff indications within 15 days of the date of this decision.**

I INTRODUCTION

[1] Facility Association (Facility) applied to the Nova Scotia Regulatory and Appeals Board to change its rates and risk-classification system for commercial vehicles. The company proposes rate changes that vary by coverage but not territory and result in an overall increase of 7.0%. In addition to base rate changes, Facility proposed minor changes to its rating rules.

[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 not satisfied that Facility's application, as filed, meets these requirements and directs Facility to refile its commercial vehicle rates to match Board staff indications within 15 days of the date of this decision. Facility's risk classification system for commercial vehicles is approved.

II BACKGROUND

[3] Facility applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)* on August 29, 2025. This application was filed and considered by the Board at the same time as Facility's mandatory filings for private passenger vehicles (2026 NSRAB 36) and taxis (Matter M12448). The Board determined that it would consider the matters in a paper hearing and issued a Hearing Order setting out a timeline for the application. Public Notice was published on the Board's website and in the Chronicle Herald and Cape Breton Post on September 27, 2025, inviting requests to intervene and public letters of comment. The Board did not receive any intervenor requests or letters of comment.

[4] Board staff engaged the Board's consulting actuary, Oliver Wyman Ltd., to review the application and prepare a report with recommendations on Facility's proposal, which was filed on November 21, 2025, after an exchange of information requests (IRs) between Oliver Wyman, Board Staff, and Facility. Facility then submitted and received responses to IRs from Oliver Wyman, followed by its final rebuttal evidence on January 12, 2026. Board staff then 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. Aside from the correction of an editorial error, Facility informed Board staff that it had no further comments on the recommendation.

[5] Facility is not a typical insurer. It is an association in which all providers of automobile insurance in Nova Scotia must participate. Facility describes its role as guaranteeing the availability of automobile insurance to those eligible to obtain it through the administration of automobile insurance residual market mechanisms. The Facility Association Residual Market acts as a "market of last resort". In other Canadian jurisdictions with compulsory automobile insurance requirements, Facility operates the same way.

III ANALYSIS

[6] The Board reviewed the evidence, including the application, the questions posed by Board staff and its consulting actuaries, and the responses from Facility, as well as the questions to Oliver Wyman from Facility, those responses, and Facility's rebuttal evidence. The Board accepts the expertise of Facility's actuaries who prepared the filing, as well as the expertise of the Board's consulting actuaries, Oliver Wyman.

[7] Facility proposed changes to base rates that vary by coverage but not territory. The changes combine for an overall increase of 7.0%. Facility proposed changes that matched its alternate indications, which incorporate the Board's target 11% return on equity for Facility.

[8] Board staff examined the evidence and all aspects of the ratemaking procedure to make the recommendations in the Staff Report. The materials from the record raised several issues for the Board to consider and determine. Each of those issues is discussed individually. Board staff consider that Facility satisfactorily addressed all other aspects of the ratemaking procedure in its application and IR responses. The Board will examine and discuss each of the following issues related to Facility's indications:

- Loss Trends
- Health Services Levy
- Tariff Provision
- Servicing Carrier Operator Costs and Fees;
- Premium Financing Fees

Loss Trends

[9] Loss trends are assumptions that measure the annual rate of change of past and future claims costs over time. A company's selection of loss trends requires an analysis of experience data and the application of professional judgment to select trend rates that reasonably reflect the rates of change of past experience and are reasonably predictive of future rates of change for each coverage.

[10] Oliver Wyman suggested the Board should use a -1.5% loss trend for Property Damage-Tort rather than Facility's estimate of 0.0%, a -3.1% loss trend for Direct Compensation Property Damage (DCPD) beginning January 1, 2022, instead of +3.0%,

and a 0.0% loss trend for Accident Benefits instead of +1.8% as proposed by Facility. For all other coverages, Oliver Wyman accepted the loss trend estimates as reasonable.

Property Damage - Tort

[11] As in the concurrent private passenger vehicle application, Oliver Wyman expressed concerns about Facility's use of data from before the introduction of DCPD because the consultant's review of data in other jurisdictions suggested the introduction of DCPD impacts the frequency and severity trends for Property Damage-Tort.

[12] Oliver Wyman also noted that Facility's models did not include a trend parameter for the introduction of DCPD in 2013. It recommends that Facility use only post-DCPD reform data and include a trend parameter. The alternative model reflecting these recommendations suggests a frequency trend of -7.4% and severity trend of +6.4% for a combined +1.5% loss trend. Using this loss trend lowers the overall indication by about 0.2% and the indicated rate for Property Damage-Tort by about 2%.

[13] Facility noted that its models fit the data better, and Oliver Wyman's model produces a low R^2 value for severity. This points to a higher correlation between the observed data and the trend in Facility's model. Board staff noted the small change that using the alternate model would produce, and recommended the Board use the Facility model. The Board agrees and relies on the Facility model and the resulting estimate for loss trends for this coverage.

DCPD

[14] Facility selected a 0.0% frequency trend rate and +5.9% severity trend rate for DCPD. Oliver Wyman had concerns about the severity trend estimate. Oliver Wyman noted that despite Facility's model having a high adjusted R^2 value and fit, Facility used

a +3% frequency trend instead of the model's estimate of -3.1% on and after January 1, 2022. Oliver Wyman and Facility agree about an increasing trend in severity in 2022, noting it coincided with a period of higher-than-average inflationary levels. However, based on its own review of recent data, Oliver Wyman observed that inflation has begun to ease. Therefore, Oliver Wyman's opinion is that severity levels will decrease from the high 2022 spike and, therefore, recommended the Board to use the Facility model's estimate of -3.1% for January 1, 2022, and after. This change results in a -1.7% reduction in the overall indication and about an 8% decrease for DCPD.

[15] Facility suggested that the DCPD severity trend should be aligned with Collision due to the loss cost similarity between the two coverages, as well as uncertainty of current economic conditions and tariff environments. As discussed later, Facility's proposal includes a provision for tariffs. Board staff note it is not always the case that a client will hold Collision along with the mandatory DCPD coverage. Facility's model demonstrates a good fit for severity with the -3.1% frequency applying on and after January 1, 2022.

[16] As such, the Board accepts Oliver Wyman's recommendation and directs Facility to use the severity model's trend estimate of -3.1% for DCPD for and after January 1, 2022, to develop the indications.

Accident Benefits

[17] Facility selected a +1.85% frequency trend rate and 0.0% severity trend rate for Accident Benefits. Oliver Wyman accepted the severity trend in this case but questioned the frequency trend model based on its observation that the trend change in Facility's model appeared to leverage the increase in frequency in 2013. The Government of Nova Scotia increased the benefit limits for Accident Benefits effective April 1, 2013,

as part of its reforms. Oliver Wyman noted that between 2013 and 2024, the frequency data shows a relatively flat trend except for a drop in 2020 coinciding with the Covid-19 pandemic.

[18] Oliver Wyman suggested a frequency trend of 0.0% should be used, bringing the loss cost trend to 0.0%. Board staff note that both models have low adjusted R² values due to volatility and sparse claims experience. The impact of the recommendation on the indications is small. Board staff recommend the Board accept the Facility models and the resultant frequency trend estimate and loss cost trend for Accident Benefits. The Board agrees and directs no change in this regard.

Health Services Levy

[19] Facility used a value of \$42.70 for the Health Services Levy, relying on the General Insurance Statistical Agency (GISA) Exhibit AUTO1005-ATL for 2023, which was the most recent exhibit available when Facility was preparing the application. The 2024 version of that GISA exhibit indicates that the levy should be \$49.58. Oliver Wyman and Board staff suggest that the indications should use the most recent value of the Health Services Levy. The Board agrees, as it did in the recent decision in *Co-operators General Insurance Company*, 2025 NSUARB 39. The use of the 2024 Health Services Levy value would increase the overall indication for commercial vehicles by about 0.3%.

Tariffs, Premium Financing Fees, Servicing Carrier Costs

[20] For the reasons set out in the private passenger vehicle decision (2026 NSRAB 36), the Board accepts Facility's use of the 3% tariff provision in this application, maintains the current level of servicing carrier costs and fees, and makes no reduction in variable expenses to reflect premium finance fees in its calculation of indications. These

assumptions apply to commercial vehicles in the same manner as for private passenger vehicles and the Board finds them reasonable in this application.

[21] As decided for private passenger vehicles, the Board directs Facility to provide a by-coverage calculation of the impact of the tariff provision for commercial vehicles within 15 days of the Board's order in this matter. This calculation must quantify the difference between the indications (at 11% return on equity) with and without the tariff provision. If tariffs are permanently removed within six months of the date of the Board's order in this matter, Facility must file a *Section 155B Overall Decrease* filing, within two months of the date of the tariff removal, to remove the tariff provision from rates, or submit a detailed justification for why the level should be maintained or modified.

[22] The Board declines to lower Facility's estimate for servicing carrier operating costs and fees, as recommended by Oliver Wyman. The Board directs Facility to continue to compile data on the servicing carrier operating costs, including any planned IT maintenance costs, and to provide this information in its next mandatory filing. The Board expects Facility to also provide support for a reasonable profit to be earned by the servicing carrier. Further, the Board urges Facility to review the cost reimbursement levels, given that they are over 20 years old and technology has changed significantly in that period. If warranted, Facility should consider changes to the Plan of Operation and address this issue with the Superintendent of Insurance.

[23] The premium financing fee arrangements for commercial vehicles are the same as for private passenger vehicles. The Board finds no cause to revisit its earlier decision not to make any adjustments, because the financing arrangement is outside of rates.

Comparison of Proposed Rates to Indicated Rates

[24] Facility's proposed rate changes produce rates equal to its alternate indications (using the Board-approved Return on Investment of 11%) for all coverages. The Board directs Facility to use the staff-recommended indications, using the 2024 Health Services Levy value of \$49.58, and using -3.1% loss trend estimate after January 1, 2022, for DCPD.

[25] The Board directs Facility to refile proposed rates that match the Staff indications, as set out in this decision.

IV SUMMARY

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

[27] Facility planned to set its rates equal to its rate level indications. The Board directs Facility to adjust its calculations in accordance with this decision and the staff-recommended indications. The Board directs Facility to submit revised rate changes that match the staff-recommended indications, calculated with the changes indicated in this decision, and to resubmit these to the Board within 15 days of the date of this decision.

[28] Facility must quantify the impact of the tariff provision on each coverage it impacts in this application, providing the Board with the difference between the staff indications with and without the tariff provision, within 15 days of the Board's order in this matter.

[29] Because Facility is not an insurance company but is supported by member insurance companies doing business in Nova Scotia, it does not provide any financial

information. However, recent mandatory filings of its member companies have satisfied the Board, under Section 155I(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of Facility's member companies.

[30] 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 Facility for commercial vehicles is August 1, 2028.

[31] Facility proposed changes to its rating rules, most of which clarify current practices. None of the changes impact rates or the risk classification system. Board staff reviewed Facility's Automobile Insurance Manual filed with the Board and the proposed changes and did not find any instances where the Manual contravened the *Act* and *Regulations*. The company must file an updated electronic version of its Manual with the approved rates by the effective date set out in the Board's order in this matter.

DATED at Halifax, Nova Scotia, this 23rd day of March 2026.



Julia E. Clark