

DECISION

**2026 NSRAB 40
M12448**

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 taxis

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

APPLICANT: **FACILITY ASSOCIATION**

FINAL SUBMISSIONS: January 23, 2026

DECISION DATE: **March 23, 2026**

DECISION: **Application is rejected as filed. Facility is directed to refile revised rates matching the staff indications within 15 days 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 taxis. The company proposes rate changes that vary by coverage but not territory and result in an overall increase of 7.3%.

[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 meets these requirements and directs Facility to refile its taxi rates to match the Board staff indications within 15 days of the date of this decision. Facility's risk classification system for taxis 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 commercial vehicles (Board Matter M12447). The Board determined that it would consider the matters in a paper hearing process 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 December 19, 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 of all providers of automobile insurance in Nova Scotia. 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. It insures approximately 1,100 taxis in Nova Scotia.

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 at Oliver Wyman.

[7] 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, IR responses and reply evidence.

[8] The Board will examine and discuss the following issues in this decision:

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

For the following reasons, the Board accepted the staff indications as the value against which to judge Facility's proposal. These indications use all the Facility assumptions with the Board's target return on equity of 11%, except the trends estimate for Direct Compensation Property Damage (DCPD) and the 2024 value for Health Services Levy, which replaces the value used by Facility.

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] Facility used the commercial vehicle loss trends, which the Board has accepted in past filings as appropriate for use with taxis.

[11] Oliver Wyman suggested the Board should make the following adjustments: a -1.5% loss trend for Property Damage-Tort rather than Facility's estimate of 0.0%, a -3.1% loss trend for DCPD beginning January 1, 2022, instead of +3.0%, and a 0.0% loss trend for Accident Benefits instead of +1.8% proposed by Facility. Oliver Wyman otherwise found Facility's selections and loss trend estimates for other coverages to be reasonable.

Property Damage - Tort

[12] As explained in the Board's concurrent private passenger vehicle decision, Oliver Wyman was concerned with Facility's use of data preceding the introduction of DCPD in 2013. Oliver Wyman noted that its review of data in other jurisdictions suggests the introduction of DCPD impacts the frequency and severity for Property Damage-Tort. After 2013, Oliver Wyman's model for Property-Damage Tort showed a decreasing pattern for frequency while severity showed a slight increasing pattern. Therefore, it recommended Facility use post-DCPD reform data only, while including a trend parameter recognizing the introduction of DCPD in 2013.

[13] The alternate model reflecting this recommendation suggests a frequency trend (-7.4%) and a severity trend (+6.5%) that combine for a +1.5% loss trend. Using this trend lowers the overall indication by a minimal amount.

[14] Facility noted its model has an Adjusted R² value of 0.9722 for frequency and 0.654 for severity, which were higher than the alternate model suggested by Oliver Wyman. This points to a higher correlation between the observed data and the trend in Facility's model. Given the small impact of the recommended changes and the fit of

Facility's model, the Board accepts Board staff's recommendation to use the Facility models and estimates for loss trends for Property Damage-Tort.

DCPD

[15] Facility selected a 0.0% frequency trend rate and a +5.9% severity trend rate before December 31, 2021, and +3.0% severity trend rate after. Oliver Wyman accepted the Facility model and estimate of 0.0% for DCPD frequency trend but had concerns about the severity trend estimate.

[16] Oliver Wyman acknowledged Facility's model fit the data well. However, Facility proposes to use an alternative trend rate (+3.0%) starting on January 1, 2022, rather than the model's implied trend of -3.1%. Oliver Wyman agrees with Facility about an increasing trend in severity in 2022, noting it coincided with a period of higher-than-average inflationary levels. However, based on its 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 leading to a recommendation for the Board to use the model estimate of -3.1% for January 1, 2022, and after. This change results in a 6.4% reduction in the overall indication and about a 19.6% decrease for DCPD.

[17] 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.

[18] 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, in calculating the indications.

Accident Benefits

[19] 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.

[20] 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 frequency trend estimate and loss cost trend for Accident Benefits. The Board agrees and directs no change in this regard.

Health Services Levy

[21] 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. Oliver

Wyman notes taxis are not included in the list of vehicles to which the levy is applied. Removing the Health Services Levy would decrease the overall indication by 1.6%

[22] Facility offered no comment on this recommendation. As in past decisions, despite a small impact on indications, the Health Service Levy should be applied properly and in accordance with the best evidence. Facility is directed to remove the Health Service Levy from the calculations of the indicated rate level for taxis.

Tariffs, Premium Financing Fees, Servicing Carrier Costs

[23] For the reasons set out in the private passenger vehicle decision (2026 NSRAB 36), the Board accepts Facility's use of a 3% tariff provision, 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 taxis in the same manner as for private passenger vehicles and the Board finds them reasonable in this application.

[24] As for private passenger vehicles, the Board directs Facility to provide a by-coverage calculation of the impact of the tariff provision for taxis within 15 days of the date 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 applicable tariffs are permanently removed within six months of the date of the order, Facility must file a *Section 155B Overall Decrease* filing to remove the tariff provision from rates, or a detailed justification for why the level should be maintained or modified.

[25] 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.

[26] The premium financing fee arrangements for taxis 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

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

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

IV SUMMARY

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

[30] Facility proposed 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 them to the Board within 15 days of the date of this decision.

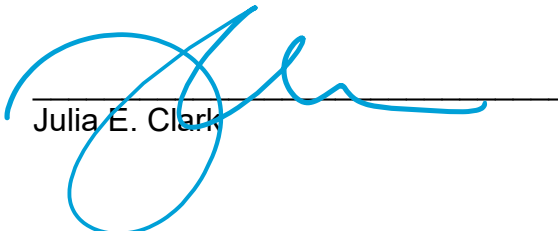
[31] Facility must quantify the impact of the tariff provision on each coverage it impacts in this application, providing the Board with the difference between the staff indications with and without the tariff provision, within 15 days of the Board's order in this matter.

[32] 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.

[33] 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 taxis is August 1, 2028.

[34] Board staff reviewed Facility's Automobile Insurance Manual filed with the Board and did not find any instances where the Manual contravened the *Act* or *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