

**DECISION**

**2026 NSRAB 72  
M12713**

**NOVA SCOTIA REGULATORY AND APPEALS BOARD**

**IN THE MATTER OF THE INSURANCE ACT**

**- and -**

**IN THE MATTER OF AN APPLICATION by IAO ACTUARIAL CONSULTING SERVICES INC., AON CANADA INC. for approval to change its rates and risk-classification system for private passenger vehicles**

**BEFORE:** Jennifer L. Nicholson, CPA, CA, Member

**APPLICANT:** IAO ACTUARIAL CONSULTING SERVICES INC.,  
AON CANADA INC.

**FINAL SUBMISSIONS:** March 23, 2026

**DECISION DATE:** May 6, 2026

**DECISION:** Application is approved.

## I INTRODUCTION

[1] IAO Actuarial Consulting Services, Inc., Aon Canada Inc. (IAO), applied to the Nova Scotia Regulatory and Appeals Board to change its rates and risk-classification system for private passenger vehicles. IAO is not an insurer. Rather, it provides a series of recommended rates and differentials to subscribers. Since 2011, the Board has reviewed annual applications by IAO for its recommended rates. Insurers wishing to use the IAO rates still apply to the Board with justification that IAO rates are appropriate for their company to use.

[2] In this application, IAO proposed changes to its current base rates that are not uniform by territory. The proposed changes produce an overall rate level increase of 9.2%. IAO selected the proposed changes based on indications that suggest rates should increase by a slightly smaller amount. The changes by coverage follow the indications except for Family Protection Endorsement (SEF#44), where IAO proposes a small increase despite the indication for a large decrease.

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

## II ANALYSIS

[4] IAO applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, IAO received and responded to an Information Request (IR) from Board staff. In those responses, IAO revised its indicated and proposed changes. 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 IAO. The company reviewed the report and had no substantive comments on the report.

[5] Board staff consider that IAO satisfactorily addressed all other aspects of the ratemaking procedure in its application and IR response.

### **Comparison of Proposed Rates to Indications**

[6] IAO proposed rates that match the revised indications for all coverages except SEF#44. For this coverage, IAO proposed an increase despite the indication for a large decrease. If IAO applied the large, indicated decrease, the new SEF#44 average premium would decline significantly. The proposed average premium is \$15.78 for an increase of \$2.

[7] This proposed average premium compares to an industry average premium of about \$20. In this light, taking the reduction would not be prudent. When asked why IAO is not following the indicated changes or at least proposing no change, IAO responded because of the low credibility of the SEF#44 data, it relied on the industry average premium rather than on the credibility weighted loss cost premium. IAO will continue to increase the SEF#44 premium gradually while it remains lower than the industry average premium.

[8] Companies that use the IAO rates generally have a very small amount of business, which presents a greater risk to the company due to the increased volatility of the experience. The use of a 12% return on equity, instead of the 10% level the Board has required larger companies to use, is reasonable for those companies.

[9] The proposal for SEF#44 results in a slightly higher return on equity (12.54%) than the allowed 12%. Given the rationale for the SEF#44 proposal, this overage does not warrant the Board requiring a change to reduce the return on equity. Board staff recommend the Board approve the proposed rate changes. The Board agrees.

### **Issues Regarding Other Proposed Changes**

#### **Differentials or Relativities**

[10] Due to a lack of recent data from GISA, IAO did not undertake any analysis of its differentials. Instead, the company left the differentials, including territorial differentials, unchanged. Board staff recommend the Board approve the proposal for no changes to the differentials. The Board agrees.

#### **Adoption of 2026 CLEAR Tables**

[11] IAO's current rates were based upon the use of the 2025 Canadian Loss Experience Automobile Rating (CLEAR) table. In this application, the recommended rates reflect the use of the 2026 CLEAR table the Board approved for use last year. The proposed use of the 2026 CLEAR table is reasonable, and Board staff recommend using the 2026 CLEAR table for the IAO rates. The Board agrees.

### **Other Observations**

#### **Automobile Insurance Manual Review**

[12] IAO is only changing rates. The Automobile Insurance Manual would not change in these circumstances. Board staff reviewed the IAO manual on file and found no areas that appear to violate the *Act* or its *Regulations*. The Board does not require IAO to provide an updated manual for this application.

Other Sections

[13] Board staff reviewed the remaining sections of the application and found they comply with the Board's *Rate Filing Requirements*. Because IAO is not an insurer, IAO included no financial information in the application, nor does the Board require any. The Board will assess the impact of these rates on any company adopting them when that company applies to use the rates.

Effective Dates

[14] IAO proposed an effective date of July 1, 2026. Because IAO does not issue policies, it has no new business and no renewals. IAO, however, wants to recommend to its subscribers the proposed rates as being effective on that date. Board staff recommend that the Board accept the proposed effective date. The Board agrees.

**III SUMMARY**

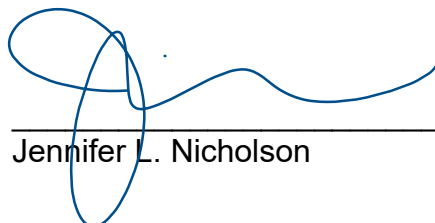
[15] The Board finds that the application follows the *Act and Regulations*, as well as the *Rate Filing Requirements*.

[16] The Board finds the proposed rates are just and reasonable and approves the changes effective July 1, 2026.

[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 IAO for private passenger vehicles is January 31, 2027.

[18] An order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 6th day of May 2026.

  
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Jennifer L. Nicholson