

DECISION

**2026 NSRAB 58
M12760**

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 commercial vehicles

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

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

FINAL SUBMISSIONS: March 30, 2026

DECISION DATE: April 21, 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 commercial vehicles. The company proposes rate changes that vary by coverage and result in an overall increase of 4.8%. In addition to changes to rates, the company also asked the Board to approve changes to its liability limit differentials.

[2] IAO provides a series of recommended rates and differentials to its subscribers. In 2011, the Board developed an arrangement with IAO to review applications for its recommended rates. Under that arrangement, the Board considers IAO's support for the rates and issues a formal decision and an order, as if IAO were an insurance company. Companies wishing to use the IAO rates must apply and prove to the Board that the IAO rates are appropriate for that company's use, but they do not have to re-file actuarial support for the rates. IAO typically files on an annual schedule for commercial vehicles. The Board extended the deadline for filing from March 1, 2026, to March 31, 2026, at IAO's request, due to delays in the availability of data from the General Insurance Statistical Agency (GISA).

[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 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 IAO. The company reviewed the report and did not provide additional comments.

[5] Board staff examined all aspects of IAO's ratemaking procedure to make the recommendations in the Staff Report. Board staff consider that IAO satisfactorily addressed all aspects of the ratemaking procedure in its application and IR responses. Board staff recommended that the Board use the IAO indications to assess the reasonableness of IAO's rate proposal.

Comparison of Proposed Rates to Indications

[6] IAO proposed changes to its base rates that are uniform by territory. The proposed changes produce an overall rate level increase of 4.8%. IAO's indications suggest that rates should increase overall by a slightly smaller percentage.

[7] IAO proposed rates that match the indications for all coverages except Family Protection – Uninsured Motorist (SEF#44). IAO proposed a small increase in premium, instead of the large decrease that was indicated. IAO explained that its average SEF#44 premium was significantly less than the industry average premium. Further, IAO said that its SEF#44 had low credibility, so it relied more heavily on the industry average premium rather than the credibility-weighted loss cost premium.

[8] In its last decision on an IAO Commercial Vehicle application (2025 NSRAB 16), the Board addressed this issue as follows:

[13] IAO proposed rates that match the indications for all coverages except SEF#44. The indications for this coverage recommend a decrease whereas the proposal increases the average premium slightly. The IAO value for this coverage is about half of the industry average premium. While the experience suggested a decrease, even with industry data there is limited credibility in the results. Given the IAO rates will be used with small portfolios of vehicles, lowering the SEF#44 premium would further expose a company to greater loss in the event of claims under this coverage. In this light, a reduction would not be prudent, while a gradual increase towards the industry average seems reasonable.

[14] Companies that use the IAO rates generally have a 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 10% that the Board has required larger companies to use, seems reasonable. The proposal for SEF#44 would result in a slightly higher ROE (12.48%). Given the rationale for accepting the SEF#44 proposal, this coverage does not warrant the Board requiring a change to reduce the ROE. Board staff recommend the Board approve the proposed rate changes. The Board agrees.

[9] For the same reasons, the Board finds IAO's proposal in this application to be reasonable. The Board approves the proposed rate changes in this application.

Other Proposed Changes

Differentials or Relativities

[10] IAO left most of its differentials, including territorial differentials, unchanged from its last application. As recent GISA data was not available, IAO did not undertake an alternative analysis of its differentials. For liability limits, however, IAO did propose changes to the differentials. To develop the indications, it relied on its analysis of 2023 data from a previous filing, updated for differences in its mix of business. IAO explained that the current differentials were based on a 2020 study. It used the 2023 differentials to reset the differentials in this analysis. The changes match the indications.

[11] IAO supported its proposed liability differential changes. Board staff recommended the Board approve this part of the proposal. The Board agrees.

III SUMMARY

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

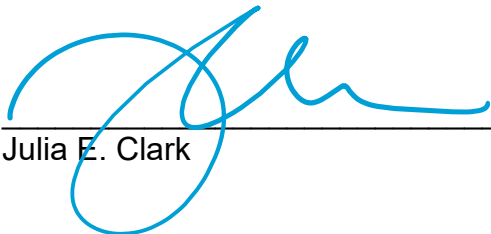
[13] The Board finds the proposed rates are just and reasonable and approves the changes effective July 1, 2026.

[14] 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 commercial vehicles is March 1, 2027.

[15] Board staff reviewed IAO's Automobile Insurance Manual for commercial vehicles filed with the Board and did not find any instances where the Manual contravened the *Act* or *Regulations*. The Board does not require IAO to file an updated Manual because the changes approved in this decision do not impact its contents.

[16] An order will issue accordingly.

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



Julia E. Clark