

NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by the **INSURANCE COMPANY OF PRINCE EDWARD ISLAND** for approval to change its rates and risk-classification system for private passenger vehicles

BEFORE: Bruce Fisher, MPA, CPA, Member

APPLICANT: **INSURANCE COMPANY OF PRINCE EDWARD ISLAND**

FINAL SUBMISSIONS: May 6, 2025

DECISION DATE: **July 3, 2025**

DECISION: **Application is approved.**

I INTRODUCTION

[1] The Insurance Company of Prince Edward Island (ICPEI) applied to the Nova Scotia Regulatory and Appeals Board to change its rates and risk-classification system for private passenger vehicles. The company proposes rate changes that vary by coverage and result in an overall increase of 10%. The company also proposed changes to one of its endorsements and to its Automobile Insurance Manual.

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

II ANALYSIS

[3] ICPEI applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, ICPEI 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 ICPEI. The company reviewed the report and informed Board staff that it had no further comments.

[4] Board staff examined all aspects of the ratemaking procedure to make the recommendations in the Staff Report and suggested that the Board further review certain issues. Board staff consider that ICPEI satisfactorily addressed all aspects of the

ratemaking procedure in its application and IR responses except for changes to the Health Services Levy.

[5] In its indications, ICPEI used a Health Services Levy amount that it got from a January 2023 General Insurance Statistical Agency exhibit. The current levy is higher than what was used by the company and results in slightly higher indications. Board staff recommends the Board require ICPEI to use the higher levy in its indications. The Board agrees.

Staff Indications

[6] The Staff Indications use all ICPEI's assumptions except for the Health Services Levy. Board staff recommends the Board use these Staff Indications as the target against which to assess the company's proposal for reasonableness. The Board agrees.

Comparison of Proposed Rates to Indicated Rates

[7] For all coverages, ICPEI proposed changes that followed the directions of the indications, but the size of the proposed changes was smaller. ICPEI made this decision to balance achieving rate adequacy with avoiding significant rate increases that could impose financial strain on its policyholders and negatively impact retention. The 10% overall rate increase was lower than the overall indicated increase.

[8] For Property Damage-Tort, DCPD, and Accident Benefits, the proposal for smaller decreases than indicated resulted in higher rates than indicated. These coverages are mandatory and the lower-than-indicated increase for Bodily Injury, another mandatory coverage, more than offsets the higher rates for these other coverages.

[9] As noted, the overall proposed increase was lower than the indicated increase. The proposal results in a proposed return on equity of 0.4%, which is lower than the target 10%. Board staff recommends the Board approve the proposed base rate changes for private passenger vehicles. The Board agrees.

Other Proposed Changes

Territorial Differentials

[10] ICPEI proposed to leave its territory definitions and the associated differentials for private passenger vehicles unchanged. The company provided no territorial analysis as the Board does not require one in these circumstances.

Endorsement Changes

[11] ICPEI proposed changes to one of its endorsements aimed at bringing it more in line with its competitors. The first change is the deductible associated for Collision and Comprehensive under NSEF#27 – Legal Liability for Damage to Non-owned Automobile will increase from \$250 to \$500. The coverage provided under the endorsement is reduced slightly (i.e., the client pays \$500 instead of \$250 towards damage, lowering the company payouts by this amount).

[12] In addition, ICPEI increased the maximum vehicle value it will cover under this endorsement from \$50,000 to \$100,000. The company noted vehicle values are increasing, and the change better positions the company among its competitors.

[13] Despite the change in coverage, both from the smaller payouts and the higher vehicle values, ICPEI did not change the premium for this endorsement. The company noted the number of exposures under the endorsement is small and the change in coverage is not large enough to warrant a premium change.

[14] The proposed changes appear reasonable. Board staff recommend the Board approve the proposed changes to this endorsement. The Board agrees.

Automobile Insurance Manual Review

[15] In addition to the changes to endorsements, ICPEI proposed changes to the Automobile Insurance Manual, specifically to identify the rating of various minor, major, and serious convictions. The changes do not reflect any change in rating but rather allow the manual to list the classifications using the wording that the company's new administrative system uses or to add clarity to reflect the severity of the conviction in that system.

[16] The proposed changes appear reasonable. Board staff recommend the Board approve the proposed changes to the manual. The Board agrees.

III SUMMARY

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

[18] The Board finds the proposed rates are just and reasonable, and approves the changes effective September 1, 2025, for new and renewal business.

[19] The financial information supplied by ICPEI satisfies the Board, under Section 155I(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the company.

[20] 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 ICPEI for private passenger vehicles is March 1, 2027.

[21] Board staff reviewed the proposed manual provided and found no areas where the company appears to be in violation of the *Regulations*. ICPEI is directed to file this manual within 30 days of the Board's Order.

[22] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 3rd day of July 2025.



Bruce H. Fisher