

DECISION

**2025 NSRAB 44
M12120**

NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

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

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

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

FINAL SUBMISSIONS: **May 6, 2025**

DECISION DATE: **June 20, 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 commercial and interurban vehicles. The company proposes rate changes that vary by coverage and result in an overall increase of 10%.

[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 commercial vehicles, ICPEI proposed changes that followed the direction of the indications, but the size of the proposed change was smaller than indicated. ICPEI made this decision to balance achieving rate adequacy while avoiding significant rate increases that could impose financial strain on its policyholders.

[8] Following the commercial vehicles recommendation for an overall increase of 10%, ICPEI increased each coverage by this amount for interurban vehicles. Given the small portfolio of these vehicles and the lack of detail about each coverage, this simplification seems reasonable.

[9] The proposal for commercial vehicles results in a proposed return on equity of 1.96%, which is lower than the target 10%. ICPEI did not quantify a return on equity for interurban vehicles. Board staff recommends the Board approve the proposed base rate changes for commercial and interurban vehicles. The Board agrees.

Other Proposed Changes

Territorial Differentials

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

III SUMMARY

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

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

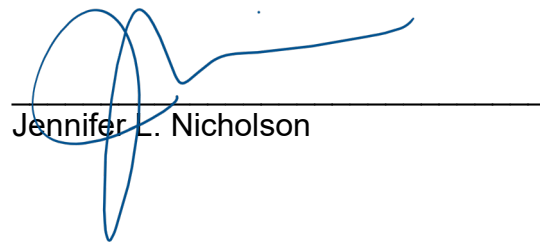
[13] The financial information supplied by ICPEI satisfies the Board, under Section 155I(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the company.

[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 ICPEI for commercial and interurban vehicles is March 1, 2028.

[15] ICPEI proposed no changes to its automobile insurance manual for commercial and interurban vehicles. Board staff reviewed the manual provided and found no areas where the company appears to be in violation of the *Regulations*. The Board does not require an updated manual from the company, given there are no changes to it.

[16] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 20th day of June, 2025.



Jennifer L. Nicholson