

DECISION

**2026 NSRAB 34
M12674**

NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

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

BEFORE: Darlene Willcott, LL.B., Member

APPLICANT: **PEMBRIDGE INSURANCE COMPANY**

FINAL SUBMISSIONS: February 20, 2026

DECISION DATE: **March 12, 2026**

DECISION: **Application is approved.**

I INTRODUCTION

[1] On January 15, 2026, Pembridge Insurance Company (Pembridge) applied to the Nova Scotia Regulatory and Appeals Board (Board) to change its rates and risk-classification system for private passenger vehicles. The company proposes rate changes that vary by coverage, but not territory, and result in an overall increase of 17%. In addition to changes to rates, the company also asks the Board to approve changes to its Vehicle Age rating variable; credit-based rating variable, Insurance Score; Welcome Discount; renewal premium dislocation capping structure; and Automobile Insurance Manual.

[2] The Board must consider whether the proposed rates and risk-classification system changes are just and reasonable and in compliance with the *Insurance Act (Act)* and its *Regulations*. The Board is satisfied that Pembridge's application meets these requirements and approves the company's proposed rates and risk-classification system.

II ANALYSIS

[3] Pembridge applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, the company 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 Pembridge. The company reviewed the report and had no comments other than to suggest revised effective dates.

[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 Pembridge satisfactorily addressed all other aspects of the ratemaking procedure in its application and IR responses.

[5] The Board will examine the following issues in this decision:

- Loss Trends
- Profit Provision
- Proposed Rates
- Rating Variable Changes
 - Vehicle Age
 - Insurance Score
- Welcome Discount
- Renewal Premium Dislocation Capping Mechanism
- Automobile Insurance Manual

Loss Trends

[6] In previous applications, Pembridge chose to use the loss trends selected by the Board's consulting actuaries, Oliver Wyman. Twice a year, the Board asks Oliver Wyman to produce a report with its trend selections based on its analysis of the industry data.

[7] In this application, Pembridge proposed selecting its own trends for frequency and severity (and ultimately loss costs) based on its own experience. Where that experience was not fully credible, the company used the Oliver Wyman loss trends as the complement of credibility. For that purpose, Pembridge used the report Oliver Wyman produced using industry data through June 2024. Oliver Wyman has produced a report using data through December 2024, but it was not available to Pembridge when it prepared its indications for this application. Pembridge believes this approach allows it to

reflect the trends it experiences that may be different from the industry, while recognizing that its own data may not have sufficient credibility to rely solely on it.

[8] The Board, in past filings, has expressed concerns regarding companies being of sufficient size to warrant the use of trends based on their own data. In this matter, Pembridge acknowledges the Board's concerns by credibility weighting its loss trends based on its own data as compared with that of Oliver Wyman. This approach mitigates some of those Board concerns.

[9] Board staff recommends that the Board allow Pembridge to use its loss trend selections in developing the indications against which to assess the appropriateness of the proposed changes. The Board agrees but notes that this recommendation applies only to circumstances of this application only and should not be viewed as a precedent for any future applications.

Profit Provision

[10] In its last filing, Pembridge used a 10% return on equity as the Board required the company to use in previous filings. This was consistent with the lower end of the Board's prescribed reasonable range of 10%-12% for return on equity. For this filing, Pembridge instead selected a fixed return on premium profit provision. The company chose a 5.3% return on premium assumption, noting this figure falls at the lower end the Board's range of 5.3%-6.7% for that measure.

[11] Using the Board's formula for determining the return on premium, the standard approach of using a 10% return on equity, a 2:1 premium to surplus ratio, and the return on surplus assets provided by the company, the return on premium that results would be 4.4%. The selected 5.3% would result if Pembridge used its assumption for

return on cash flow for its return on surplus assets, which is consistent with the Board's range. An examination of the investment returns the company has experienced suggests this return on invested assets is an appropriate choice for return on surplus assets. Accordingly, the selected profit provision appears reasonable, and Board staff recommends that the Board allow Pembridge to use its proposed profit provision. The Board agrees.

Proposed Rates

[12] Given the recommendations to allow the Pembridge selections for loss trends and profit provision, Board staff recommends the Board use the Pembridge indications as the appropriate target to assess the reasonableness of the proposed changes.

[13] Board staff compared the company's proposal to the indications. Pembridge proposed changes that follow the direction of the indicated changes but are slightly smaller in size, except for SEF#44, where the indication would harshly lower the current average premium which is close to the industry average. A reduction of this level does not seem prudent, and Pembridge left the premium unchanged.

[14] The overall proposed change is very close to the indicated change. As a result, the proposed rates will generate a return on premium consistent with the allowed 5.3% and, assuming the investment return on surplus assets equals the investment return on cash flow, a return on equity at the allowed 10% level.

[15] Board staff recommends the Board approve the proposed changes to base rates. The Board agrees.

Other Proposed Changes

Rating Variable Changes

[16] Pembridge proposed changes to its rating variable Vehicle Age, and to its credit-based rating variable, Insurance Score.

[17] For each of the variables, Pembridge conducted a combined ratio (i.e., loss ratio plus expense ratio) analysis comparing the combined ratio for each segment of the variable to the overall combined ratio to determine the relative changes. The company credibility weighted these relative changes using the current differentials as the complement to develop indicated differentials. Based on this analysis, Pembridge determined the proposed changes to the differential. Pembridge did not off-balance the impact of these changes but instead allowed them to flow through to the overall changes. Each variable will be discussed below.

Vehicle Age

[18] Pembridge describes Vehicle Age as the current year less the model year of the vehicle. The company uses this variable for physical damage coverages (DCPD, Collision, and Comprehensive). Pembridge proposes increases to the differentials for ages zero and one and decreases to the differentials for vehicles 12 years and older. The analysis suggests the proposed changes should be made to these ages. The proposed increases follow the indicated changes and are close in size. Board staff recommends the Board approve the proposed changes to Vehicle Age. The Board agrees.

Insurance Score

[19] Pembridge received approval for its use of a credit-based rating variable in Board Decision 2020 NSUARB 71. Since its introduction, Pembridge received approval

for changes to the variable, including, in Board Decision 2022 NSUARB 35, renaming its Insurance Score. In this application, Pembridge proposed a change to the best two Insurance Score bands that will increase the discount provided. No other Insurance Score differentials changed.

[20] The proposed changes follow the indicated changes with a slight adjustment that produces a slightly higher discount. Board staff recommends the Board approve the proposed changes to differentials for Insurance Score. The Board agrees.

Welcome Discount

[21] In 2022 NSUARB 35, Pembridge received approval for its Welcome Discount. This discount provides a 10% discount on all coverages for new business policies that meet the eligibility requirements. The discount declines by 2.5% at each renewal until it is removed at the fourth renewal.

[22] A review of the experience for new business risks with and without the discount revealed that the experience with the discount is much worse than that without the discount. Based on the analysis, Pembridge proposed removing the 10% discount for new business (i.e., less than one year in-force), while keeping the discount at the decreased levels (i.e., 7.5% at first renewal, 5.0% at the second, and 2.5% at the third renewal and 0% for future renewals) for existing business only.

[23] When asked why the company did not remove the entire discount, Pembridge explained it needed to keep the remaining discount levels to allow a gradual phase-out of the discount for existing policyholders. Due to system limitations, Pembridge cannot simultaneously discontinue the discount for new business while maintaining it for existing customers. As a result, the Welcome Discount will be gradually eliminated over

time through future rate filings. The remaining levels will only apply to existing business, and no new business will benefit from any level of the discount.

[24] Board staff recommends the Board approve the changes to the Welcome Discount. The Board agrees.

Renewal Premium Dislocation Capping Mechanism

[25] In its last filing, Pembridge received approval for its current renewal premium dislocation capping mechanism. In this application, Pembridge proposes to change the capping limits on renewal premium increases and renewal premium decreases used in that mechanism.

[26] To use negative capping (i.e., limiting the renewal decreases), the Board requires the company to show that the premium foregone from the positive cap (i.e., limiting the renewal increases) is greater than or equal to the extra premium collected from the negative cap. Pembridge provided evidence to show that the proposed mechanism meets this requirement.

[27] Pembridge expects this capping mechanism to be in place for two years. If that changes, Pembridge will approach the Board with details. This short time frame is consistent with the Board's view that such caps should be removed quickly.

[28] Pembridge provided scenarios to show the proposed impacts on the capping levels of certain material changes in risk. The capping limit changes for these scenarios seem reasonable.

[29] Board staff recommends the Board approve the proposed changes to the renewal premium dislocation capping mechanism. The Board agrees.

Automobile Insurance Manual

[30] Pembridge proposes a revision to its Automobile Insurance Manual beyond that required to implement the changes discussed elsewhere in this decision. The company proposes removing the ability to use a Property Future Effective Date to qualify for its Multi-line Discount. Currently, the discount may apply to a client's automobile policy if the client expects to sign a property policy (i.e., Homeowners Policy), within six months. In this situation, there is no property policy yet in place, only a commitment to put one in place.

[31] Pembridge proposes the removal of this allowance, noting it does not allow this approach in any other jurisdiction, and the removal harmonizes the eligibility requirements for the discount across jurisdictions. This removal requires Board approval as it changes the risk-classification system. The removal is reasonable, and Board staff recommends the Board approve the change. The Board agrees.

[32] Board staff reviewed Pembridge's Automobile Insurance Manual filed with the Board and the proposed changes and did not find any instances where the Manual contravened the *Act* or *Regulations*.

III SUMMARY

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

[34] The Board finds that the proposed rates and other changes are just and reasonable. The rates and changes are approved effective May 8, 2026, for new business and June 8, 2026, for renewal business.

[35] The financial information included in the application provides assurance that, under s.155I(1)(c) of the *Act*, Pembridge proposed changes are unlikely to jeopardize the financial well-being or solvency of the organization.

[36] 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 Pembridge Insurance Company for private passenger vehicles is January 1, 2028.

[37] Pembridge must file an electronic version of its Manual, updated for the changes approved in this decision, within 30 days of the issuance of the Order in this matter.

[38] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 12th day of March 2026.



Darlene Willcott