DECISION | **2025 NSRAB 69**
M12329

NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

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

BEFORE: Jennifer L. Nicholson, CPA, CA, Panel Chair
Darlene Willcott, LL.B., Member

APPLICANT: **THE PERSONAL INSURANCE COMPANY**

FINAL SUBMISSIONS: July 23, 2025

DECISION DATE: **August 18, 2025**

DECISION: **Application is approved.**

I INTRODUCTION

[1] On June 16, 2025, The Personal Insurance Company (TPIC) applied to the Nova Scotia Regulatory and Appeals Board to change its rates and risk-classification system for private passenger vehicles. The company proposes changes to its rating territories and differentials, its differentials for other existing rating variables, and to its discounts. It also proposes to adopt the 2024 Canadian Loss Experience Automobile Rating (CLEAR) table, introduce a credit-based rating variable, a non-group surcharge and new rating variables. TPIC will off-balance the impact of these changes to make them revenue neutral.

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

II ANALYSIS

[3] TPIC applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval* (*Rate Filing Requirements*). Since the filing of this application, TPIC 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 TPIC. The company reviewed the report and informed Board staff that there were some errors, sought clarification and suggested a wording change. Board staff adopted the

corrections and the wording change in the revised version of the Staff Report submitted to the Board. The corrections did not impact the recommendations in the report.

[4] Board staff examined all aspects of the application to make the recommendations in the Staff Report and suggested that the Board further review certain issues. Board staff consider that TPIC 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:

- Proposed territories and territorial differentials;
- Proposed adoption of the 2024 CLEAR table and the removal of rate groups for Third Party Liability;
- Proposed changes to existing rating variables;
- Introduction of the credit-based rating variable, Credit Score, Type of Parking rating variable, and the Category of Vehicle rating variable, and the associated differentials;
- Introduction of the Non-Group Surcharge;
- Removal of the Anti-Theft Device Discount, the Multi-Occasional Operator Discount, the Hybrid and Electric Vehicle Discounts, the Student Discount and the Winter Tire Discount;
- Proposed off-balancing of the impacts of all the segmentation changes to make them revenue-neutral; and
- Proposed changes to the renewal premium dislocation capping mechanism.

<u>Change to Territory Definitions and Differentials</u>

[6] TPIC currently uses the territory definitions that it created in 2009. To bring the variable up to date, the company conducted an analysis of Atlantic Canada data from 2011 to 2021. While the analysis was done in 2022, it represents a reasonable view of experience. TPIC provided support for its proposed territories. After reviewing the analysis, TPIC grouped adjacent geographic units with similar experience and differentials. As a result, the company reduced the number of territories it will use. Board

staff recommend the Board approve the proposed territories and associated differentials. The Board agrees.

Adoption of 2024 CLEAR Table

[7] The company currently uses the 2019 CLEAR table with Collision, Direct Compensation Property Damage (DCPD) and Comprehensive table separated to assign rate groups to physical damage coverages and Accident Benefits. While the Board approved the 2025 CLEAR table for use late last year, TPIC proposed the adoption of the 2024 version because it had already completed its indications before the Board approved the 2025 CLEAR table.

[8] Board staff recommend the Board approve the adoption of the 2024 version of the CLEAR table and the removal of rate groups for Third Party Liability. The Board agrees.

Changes to Existing Variables

[9] TPIC proposed changes to 12 of its existing rating variables. TPIC conducted an analysis of its Atlantic Canada experience from the second half of 2013 through the second half of 2023. TPIC included a control variable, Province, to account for differences by province. To better understand the chosen rating criteria, TPIC ran separate models for frequency and severity for long-term coverages and multiplied the results to get pure premium indications, while for other coverages the company developed the pure premium models directly. To validate the models, TPIC used Nova Scotia data only.

[10] The company developed indicated differential changes and then selected differentials that moved in the direction of the indications. Board staff recommend the Board approve the proposed differentials for each variable. The Board agrees.

[11] The next sections describe the specific changes for each variable.

Age of Vehicle

[12] TPIC capped the differentials developed for older vehicles so that vehicles aged 12 years or more for DCPD and 15 years or more for other coverages use the same differential. This capping reflected the limited credibility, provided by the few exposures the company had for the older ages.

DCPD / COLL / COMP Rate Groups

[13] As noted, TPIC uses CLEAR tables to assign rate groups for DCPD, Collision and Comprehensive coverages. The model only provided differentials for those rate groups where the company had exposures. TPIC extrapolated the differentials for higher rate groups where the company had no exposures.

Loyalty

[14] TPIC rebased the indicated differentials so that this variable provides a discount only. The company also modified the definition of loyalty. Instead of using the maximum between the number of years with TPIC and the number of continuous years with the prior insurer, the company will cap this value at the principal driver's number of years licensed. This new definition aligns with what TPIC uses in Ontario.

Annual Kilometres

[15] Annual kilometres represent the total pleasure and business kilometres driven annually. TPIC uses the indicated differential in most cases. However, for DCPD,

Collision and Comprehensive, TPIC capped the differentials for higher kilometres driven so that the same differential is used after 25,000 km for all coverages. TPIC also smoothed the differential for lower annual kilometres to reduce the rate increase for these clients.

Number of Years Licensed

[16] TPIC chose differentials that tended to match the indications. The company deviated from the indicated differentials in some cases to either reduce the rate increase that clients would experience or to smooth the progression of those differentials.

Number of Years Licensed by Gender

[17] This variable provides a different set of differentials for each gender. As with the previous variable, TPIC chose differentials that tended to match the indications. The company deviated from the indicated differentials in some cases to either reduce the rate increase that clients would experience or to smooth the progression of those differentials.

Driving Record

[18] TPIC increased the differentials for driving record 5 to better reflect the experience differences between driving records 5 and 6. The proposed change aligns with observed experience differences.

Occupation

[19] TPIC selected differentials that followed the indications but rebased them so that this variable provides a discount only.

Occasional Driver Number of Years Licensed

[20] TPIC adjusted the differentials to ensure equal and fair premium between occasional drivers, irrelevant of the experience of the principal driver. The proposed differentials follow the indicated level.

Number of Major and Serious Convictions in last three years

[21] Because TPIC has very few exposures with these convictions, the company did not include these variables in the indicated models. Instead, TPIC chose differentials that were consistent with the company's selection from other regions where it has more data.

Number of Minor Convictions in last three years

[22] For most types of insurance coverage (except DCPD), the company used rate differences that match what the data suggests. When there were situations with a high number of driving convictions but no customers in that category, TPIC estimated the rates.

[23] For DCPD coverage, TPIC kept this factor in its pricing model so that prices reflect the extra risk from convictions. The company decided to charge 20% for the first minor conviction and another 20% for each additional minor conviction. This approach is similar to how TPIC sets rates for other types of coverage and in other regions.

[24] When determining the premiums of the principal and secondary operators licensed less than nine years TPIC will adjust those premiums based on the type and number of convictions of all drivers, including occasional operators.

Chargeable Accidents (six years)

[25] This variable applies to Comprehensive only. The company explained that while Comprehensive claims are not at-fault, the driving habits and other risk factors that lead to multiple at fault claims under other coverages can also lead to more collisions with animals or with debris that hits the windshield.

[26] TPIC selected differentials that matched the indications for up to three chargeable accidents. After that, due to low exposures, TPIC extrapolated the relativities to produce the selected differentials for higher numbers of these accidents.

Removal of Rating Variable: Number of Years as Principal Operator

[27] TPIC currently adjusts the premium based on the number of years of experience as a principal operator of a vehicle. The company requires that there is only one principal operator assigned to each automobile. TPIC’s segmentation analysis showed that the variable no longer provided any more predictive power beyond that provided or captured by other variables in the rating algorithm. TPIC, therefore, will remove this variable. Board staff recommend the Board approve the removal of this variable. The Board agrees.

New Rating Variable: Credit Score

[28] TPIC proposed the introduction of a new rating variable, Credit Score, which relies on a client’s credit information to determine eligibility for a discount. TPIC will map the obtained credit score to a grouping of scores to determine the discount. TPIC will use this new variable to rate all coverages.

[29] TPIC will require clients seeking a potential discount that reflects higher credit ratings to consent to the company obtaining credit information from its chosen

supplier. Clients do not have to provide this consent to be insured by TPIC. Clients who do not consent will receive TPIC's undiscounted rates. Clients who consent may benefit from a potential discount if their credit information is high enough to warrant one.

[30] TPIC will follow the Insurance Bureau of Canada's Code of Conduct for Insurer's Use of Credit Information (Code). Although following the Code is voluntary, the Board expects all companies, including TPIC, to follow it.

[31] The *Regulations* do not prohibit the use of credit information as a risk-classification factor. The Board has allowed other insurers to use credit information to rate automobile policies. Based on their review of the details of TPIC's credit-based rating system, Board staff recommend the Board approve the proposed introduction of the credit-based rating variable, Credit Score, including the proposed differentials. The Board agrees.

New Rating Variable: Type of Parking

[32] TPIC proposed introducing this variable for Comprehensive only. The variable attempts to assign appropriate risk for the various types of parking (e.g., private garage, on street, driveway, etc.). The variable applies a discount for indoor parking to reflect the reduced risk of theft or damage to which an exposed vehicle may be subject. TPIC had this parking information already stored and so it was easy to incorporate it into its models. The selected discount matches the indicated discount.

[33] Board staff recommend the Board approve the introduction of the Type of Parking rating variable. The Board agrees.

New Rating Variable: Category of Vehicle

[34] TPIC proposed to introduce this variable for Third Party Liability, Accident Benefits, and Comprehensive only. The variable attempts to assign appropriate risk for the various categories of vehicles (e.g., subcompact, luxury sedan, mid-size coupe, etc.). TPIC had this category of vehicle information already stored so it was easy to incorporate it into its models. The selected differentials match the indicated discount.

[35] Board staff recommend the Board approve the introduction of Category of Vehicle. The Board agrees.

Non-Group Surcharge

[36] TPIC explained that its target market is group business. The company noted, however, there are policyholders that do not belong to any groups. TPIC classifies these risks as non-group business, and this business is growing.

[37] Based upon the poor claims experience observed, TPIC proposed to apply a surcharge to the non-group risks. The TPIC indications for this group support the proposed surcharge, and TPIC included it within the models. The company believes the proposed segmentation combined with the surcharge will address the issues that gave rise to the growth in this segment.

[38] Instead of applying an individual surcharge by coverage, TPIC will use a unique surcharge, as an offset, that aligns with the weighted indications across all coverages. Board staff recommend the Board approve the Non-Group Surcharge. The Board agrees.

Discount Changes

[39] TPIC proposed the removal of the discounts listed in this section.

Anti-Theft Device Discount

[40] TPIC currently offers a 15% discount on Comprehensive premium where the vehicle has an immobilizer installed. Most of the TPIC fleet have an immobilizer, but the discount only recognizes Vehicle Information Center of Canada approved immobilizers, which represent about half of the fleet.

[41] TPIC notes that the industry is moving away from using immobilizers to prevent theft and are now looking to anti-theft recovery devices to address the risk. The model showed the variable is no longer predictive. As a result, TPIC proposes its removal.

Multi-Occasional Driver Discount

[42] TPIC provides a 25% discount on the occasional driver premium when there is more than one Class 5 or 6 rated secondary driver (i.e., with less than nine years of experience) on the policy. When TPIC included this in the model, the result suggested the discount was not warranted. TPIC noted the company only has a few risks that receive this discount. As a result, TPIC proposed removing the discount.

Hybrid and Electric Vehicle Discounts

[43] TPIC offers a 10% discount on all standard coverages if the vehicle is an electric or a hybrid vehicle. TPIC proposed the removal of these discounts. The company explained that with the rate group update, hybrid and electric cars risk classification are better reflected in the proposed rate groups. As well, the models do not support the extension of a discount for these vehicles.

Student Discount

[44] TPIC offers a 10% discount on all standard coverage if the principal operator is a full-time student enrolled in a college or university program. TPIC noted that its model showed that the discount is not warranted. TPIC, therefore, proposes to remove the discount.

Winter Tire Discount

[45] TPIC currently provides a 5% discount if the vehicle is equipped with four winter tires during the winter months (i.e., tires bearing the approved “winter tire” designation as implemented by Transport Canada). TPIC noted the experience with winter tires is not different enough to warrant a discount. Over 90% of TPIC vehicles use winter tires and therefore, the discount has minimal benefit. The impact of the tire usage should be captured in other rating variables. TPIC, therefore, proposed the removal of the discount.

[46] Board staff recommend the Board approve the removal of the discounts mentioned above. The Board agrees.

Off-Balancing of the Impact of Segmentation Changes

[47] TPIC proposes to make segmentation changes without changing the total amount of premium it collects. To make these changes revenue-neutral, TPIC identified the impact on the total premiums collected of all the changes, using an expected impact for Credit Score, and off-balanced the total impact through base rates to lower the total premiums to the current level. TPIC provided the off-balance calculations which are reasonable.

[48] Board staff recommend the Board approve the proposed off-balance calculations and the impacts on base rates that result. The Board agrees.

Premium Dislocation Cap

[49] TPIC currently applies a premium dislocation cap that automatically limits premium increases at renewal to 20% on any individual risk where the renewal increase exceeds $50. TPIC does not currently apply a cap on premium decreases at renewal. The cap does not apply to the charge for the Health Services Levy.

[50] TPIC proposed to continue the use of the 20% cap on renewal premium increases. The company will introduce a cap on renewal premium decreases. TPIC chose the cap on these decreases so that the premium foregone on the cap, on renewal premium increases, matched the extra premium collected from the cap on renewal premium decreases. This choice nullified the overall impact of the proposed changes and complies with the Board requirements for the use of negative capping. The circumstances by which the cap will be removed will also remain unchanged. The company intends to keep this cap in place as long as needed.

[51] Board staff recommend the Board approve the proposed renewal premium dislocation capping mechanism. The Board agrees.

Automobile Insurance Manual

[52] Apart from the changes required to reflect the segmentation changes discussed in this report, TPIC proposed one change to correct a clerical error regarding the premium shown for its Family Protection Endorsement (NSEF#44). The company charged the approved rates, but the Automobile Insurance Manual did not display the

approved rates. Board staff reviewed the proposed changes to the Automobile Insurance Manual and did not find any violations of the *Act* or its *Regulations*.

[53] Board staff recommend the Board approve the proposed Manual changes and require TPIC to provide the revised Manual to the Board within 30 days of the date of the Board Order for this matter. The Board agrees.

Other Sections

[54] Board staff reviewed the remaining sections of TPIC's revised application and found they complied with the Board's *Rate Filing Requirements*.

III SUMMARY

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

[56] The Board finds the proposed rates are just and reasonable, and approves the changes effective October 15, 2025, for new business and December 14, 2025, for renewal business.

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

[58] The application does not qualify to set a new mandatory filing date under the *Mandatory Filing of Automobile Insurance Rates Regulations*. The mandatory filing date for TPIC for private passenger vehicles stays at May 1, 2026.

[59] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 18th day of August 2025.

Jennifer L. Nicholson

Darlene Willcott