

DECISION

**2026 NSRAB 30
M12610**

NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

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

BEFORE: Bruce H. Fisher, MPA, CPA, Member

APPLICANT: **THE WAWANESA MUTUAL INSURANCE COMPANY**

FINAL SUBMISSIONS: January 15, 2026

DECISION DATE: **March 9, 2026**

DECISION: **Application is approved.**

I INTRODUCTION

[1] The Wawanesa Mutual Insurance Company (Wawanesa) 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 territory and result in an overall uncapped increase of 15.7%. In addition to changes to rates, the company also asks the Board to approve its proposed territorial differentials, changes to the Primary Years Licensed and Driving Record variables, and changes in the minimum deductibles. Wawanesa also proposed a Group Discount, an Affinity Discount and the continued use of the automated renewal premium dislocation capping mechanism.

[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 (*Regulations*). The Board is satisfied that Wawanesa's application meets these requirements and approves the company's rates and risk-classification system as proposed.

II ANALYSIS

[3] Wawanesa applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, Wawanesa 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 Wawanesa. 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 Wawanesa 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 and Profit;
- Proposed Rate Changes;
- Territorial Differentials;
- Changes to Existing Rating Variables;
- Minimum Deductible Change;
- Group Discount;
- Affinity Discount; and
- Renewal Premium Dislocation Capping Mechanism.

Loss Trends and Profit

Loss Trends

[6] Oliver Wyman (OW), the Board's consulting actuaries, has developed assumptions for loss trends for private passenger vehicles in Nova Scotia based on its analysis of industry data through December 2024. The Board uses these loss trends as a basis to evaluate the loss trends used by insurance firms operating in Nova Scotia. Wawanesa based their loss trends, however, primarily on a review of the company's own experience in Nova Scotia through December 31, 2024. Wawanesa believes that trends based upon the experience of its own book are more appropriate. The company analyzed trends for frequency, severity, and loss cost over a variety of time periods within the selected period. By using its own data, the company can account for its own specific loss

development factor selections, reserving methods, claims handling and mix of business. Wawanesa considered all possible time periods, aggregation periods, seasonality factors, and reform factors to ensure that its final selection is the best estimate as it relates to the company's portfolio of business.

[7] While 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, Board Staff concluded that the experience for Wawanesa continues to be different from the industry. Board staff recommend the Board allow Wawanesa to use its loss trend selections in developing the indications against which to assess the appropriateness of the proposed changes. The Board agrees.

Profit Provisions

[8] Wawanesa effectively targets an after-tax return on equity (ROE) of 12% per annum. The company also uses a 2:1 premium to surplus ratio. These assumptions put Wawanesa at the top of the Board's range of a reasonable return on equity (i.e., 10%-12%) and for-profit provision (i.e., 5.1%-6.6%).

[9] The Board, having concerns about the level of profit observed in the industry as evidenced by General Insurance Statistical Agency (GISA) financial information reports, ordered some companies to lower their target ROE to 10%. Despite some intervening years showing negative returns on equity for the industry, the Board continues to require a 10% target ROE unless the company demonstrates it differs from the industry.

[10] Wawanesa noted that their proposed impacts do not realize a 12% ROE. Board staff concluded that the financial information shows that the Wawanesa experience continues to differ from the industry, and the Board should not force the company to have

a ROE lower than the 12% target Wawanesa used. Board staff recommend the Board accept the profit provision included in the Wawanesa indications. The Board agrees.

Proposed Rate Changes

[11] Wawanesa proposed changes to its rates that vary by coverage and territory and result in an overall uncapped increase of 15.7%. Wawanesa based its proposal on revised indications that suggest a much larger overall increase should be taken.

[12] For all coverages except Property Damage-Tort, the company proposed rate changes that were in the direction of the indications but were much lower than indicated. For Property Damage-Tort, while the indication was for a decrease, Wawanesa proposed a much smaller reduction but the difference in average premium between the indicated and proposed for this coverage is only about \$2.50.

[13] Wawanesa estimates the return on equity is well below both the Wawanesa target and the low end of the Board range. This continues a pattern for Wawanesa that goes back to 2017 as the company chose smaller increases than indicated. Wawanesa states that it selected its proposal to remain aligned with the current market conditions. Applying the full increase indicated at once would cause severe premium dislocations for its clients and cause affordability concerns. Instead, the company continued its strategy of moving towards rate adequacy in a measured and sustainable way.

[14] While the Board is concerned about the size of the proposal considering the indicated changes, Wawanesa has supported its proposed changes. Board staff recommend the Board approve the proposed rate changes. The Board agrees.

Territorial Differentials

[15] Wawanesa provided a territorial analysis, which produced territorial-indicated rate changes which the company used to derive indicated territorial differentials. Wawanesa has used this approach in some previous matters.

[16] Based on these indicated differentials, Wawanesa selected the proposed changes after considering the company's competitive position in the territory as well as the on-levelled loss ratios. The proposed changes are in the direction of the indicated changes in all territories for all coverages except Comprehensive for one territory. Where the proposed changes exceeded the indicated changes, other considerations (e.g., higher than expected loss ratios, competitive pressures) led Wawanesa to the proposed changes. Wawanesa did not explicitly off-balance the proposed territorial differential changes but let the changes flow through and then adjusted base rates to get to its desired rate change. Board staff recommend the Board approve the proposed territorial differentials. The Board agrees.

Changes to Existing Rating Variables

[17] Wawanesa proposed changes to two of its existing rating variables.

Primary Years Licensed

[18] Wawanesa uses this variable for all the major coverages. For lower years licensed, the company proposed smaller than indicated reductions for prudence as it will monitor experience for this segment moving forward. For higher years licensed, the company proposed changes closer to the indicated values, noting the company has a high risk concentration and worsening experience for this segment. The changes, both

the level and to which years licensed categories the changes were proposed, vary by coverage.

Driver Record

[19] Wawanesa proposed reductions for this variable for Bodily Injury and Property Damage-Tort. The company made the changes to address its competitive position for these coverages. Wawanesa noted Driving Records are closely linked to Primary Years Licensed, discussed in the previous section. To support the proposed adjustments for the Primary Years Licensed variable to address its competitive position in those segments, the company states it was necessary to reduce the influence of the Driving Record differentials.

Off-Balancing

[20] Wawanesa did not explicitly off-balance the impacts of these proposed changes to make them revenue neutral. Instead, the company let the changes flow through and then adjusted base rates to get to its desired changes.

[21] Board staff recommend the Board approve the proposed changes to the differentials for Primary Years Licensed and Driving Record. The Board agrees.

Minimum Deductible Change

[22] Wawanesa proposed increasing its minimum deductibles for Collision, Comprehensive, Specified Perils and All Perils from \$250 to \$500. The company also proposed increasing the deductible for NSEF#27- Legal Liability for Damage to Non-Owned Automobile(s) and Other Coverages When Insured Persons Drive Other Automobiles Endorsement, which provides coverage for damage to non-owned vehicles such as rental cars, from \$250 to \$500.

[23] The company explained that the \$250 minimum deductible for Comprehensive is mis-aligned with the underlying claims cost. This coverage has a high number of low severity claims, and the \$250 deductible is no longer adequate. The \$500 level better reflects the true repair costs, which have grown due to inflation, and advancement in vehicle technology. The higher level will reduce claim frequency as the insured will be less likely to file a small value claim if the out-of-pocket cost is \$500 instead of \$250. The increased minimum deductible will result in a lower premium reflecting the higher amount the client will pay and the lower amount Wawanesa will pay in the event of a claim.

[24] Wawanesa rebased the differentials to set the differential for the \$500 deductible to 1.000 (i.e., the base deductible level). Wawanesa did not off-balance the impact of these differential changes to make them revenue neutral. Instead, the company let the changes flow through and then adjusted base rates to get to its desired changes.

[25] Board staff recommend the Board approve the proposed changes in the minimum deductibles and the resultant changes to the differential deductibles. The Board agrees.

Group Discount

[26] Wawanesa proposed the introduction of a Group Discount to recognize membership within selected groups. Wawanesa will assess the group to determine if its performance qualifies for the discount. The company will also periodically review the group to ensure its performance continues to qualify for the discount.

[27] Brokers will be responsible for confirming that an insured is a member of a group. Once determined to be an eligible member of that group, all vehicles on the policy will receive the associated discount.

[28] Wawanesa will begin offering its group membership rates to existing groups that its brokers already have experience with. For these groups, the company will review the three-year loss ratio to assess the historical performance of the group. Based on that performance, the group will be assigned to a Tier and will receive the associated Tier discount. As it gains experience with such groups, Wawanesa will revisit the Tier discounts offered and modify them in future applications.

[29] For the Group Discount, Wawanesa notes it will comply with the definition of eligible group as outlined in the *Regulations*. As such, the discount will extend to spouses, common-law partners and children under 25 who reside at home or attend an educational institution on a full-time basis. Having no such groups insured or having no way to determine which insureds are members of such groups currently, the company had no impact to off-balance.

[30] Board Staff recommend the Board approve the proposed Group Discount. The Board agrees.

Affinity Discount

[31] Wawanesa proposes offering a 5% Affinity Discount for members of large associations formed around shared interest or common goals, where there is no formal sponsorship. Wawanesa notes there is no definition of such groups in the *Regulations*. Wawanesa will determine which associations provide acceptable risk that will allow the company to write that business with this discount.

[32] Wawanesa notes there will be cost savings from affinity clients compared to its existing broker distribution model. The proposed discount will pass along these savings to the policyholder by way of a lower premium. Having no such affinity groups or having no way to determine which insureds are members of such affinity groups currently, the company had no impact to off-balance.

[33] Board staff recommend the Board approve the proposed Affinity Discount. The Board agrees.

Renewal Premium Dislocation Capping Mechanism

[34] Wawanesa currently uses an approved automated renewal premium dislocation capping mechanism that applies at the risk level. The company also caps renewal premium decreases.

[35] To use negative capping, the Board requires the extra premium collected from the negative cap to be less than or equal to the premium foregone on the upper cap. Because the uncapped change was higher than the capped change this requirement is met.

[36] Board staff recommend the Board approve the continued use of the automated renewal premium dislocation capping mechanism. The Board agrees.

Automobile Insurance Manual

[37] Wawanesa proposed changes to its Automobile Insurance Manual other than those is decision required to implement the changes proposed in this application. These other changes will clarify current company practice and do not change how vehicles are rated or classified. As such, they have no impact on rates or risk-classification system for these vehicles and therefore do not require formal Board approval.

[38] Board Staff reviewed the proposed changes and the manual on file and found no area where the company appears to be in violation of the *Act or Regulations*.

[39] Board staff recommend the Board require Wawanesa to file an electronic version of its Manual, updated for the changes approved in this decision and the other changes proposed, within 30 days of the issuance of the order in this matter. The Board agrees.

III SUMMARY

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

[41] The Board finds the proposed rates and risk classification system are just and reasonable, and approves the changes effective May 22, 2026, for both new business and renewal business.

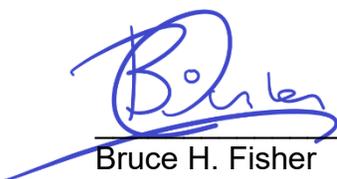
[42] The financial information supplied by Wawanesa satisfies the Board, under s.155l(1)(c) of the *Act*, that the proposed changes are unlikely to impair the solvency of the company.

[43] 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 Wawanesa for private passenger vehicles is December 1, 2027.

[44] Wawanesa must file an electronic version of its Manual, updated for the changes approved in this decision and the other changes proposed, within 30 days of the issuance of the order in this matter.

[45] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 9th day of March 2026.



Bruce H. Fisher