DECISION **2025 NSRAB 45**
M12127

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 commercial vehicles

BEFORE:	M. Kathleen McManus, K.C., Ph.D., Member
APPLICANT:	**THE WAWANESA MUTUAL INSURANCE COMPANY**
FINAL SUBMISSIONS:	May 1, 2025
DECISION DATE:	**June 25, 2025**
DECISION:	**Application is approved.**

I INTRODUCTION

[1] On March 5, 2025, The Wawanesa Mutual Insurance Company (Wawanesa) applied to the Nova Scotia Utility and Review Board to change its rates and risk-classification system for private passenger vehicles. On April 1, 2025, on proclamation of the *Energy and Regulatory Boards Act,* S.N.S. 2024, c. 2, Sch. A, the Utility and Review Board was succeeded by the Nova Scotia Regulatory and Appeals Board (Board) for all applications under the *Insurance Act*. In this decision, a reference to the "Board" refers to the Regulatory and Appeals Board or the Utility and Review Board, as the context requires. The Utility and Review Board's filing requirements and practices continue to be used by the Regulatory and Appeals Board.

[2] The company proposes rate changes that vary by coverage and result in an overall rate level increase of 19.2%. In addition to changes to rates, the company also asks the Board to approve the following modifications of its rates and risk-classification system: change to its rating algorithm; change to its territorial rating variable; change to the Class rating variable; introduction of Subclass to the Class rating variable; change to the Driving Record rating variable; change to the Price-Rated Rate Group Table; changes to deductibles; removal of six-month policy terms; change to the All Perils premium formula; changes to several of its endorsements; change to several discounts and surcharges; and, change to its renewal premium dislocation capping mechanism.

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

II ANALYSIS

[4] 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 of areas of the Staff Report which it believed were incorrect or did not correctly capture the proposal. The staff adopted all Wawanesa's corrections in the Staff Report, but these corrections did not impact the recommendations in the report.

[5] 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.

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

- Profit Provision;
- Proposed rate changes;
- Rating algorithm change;
- Changes to rating variable - Territory;
- Changes rating variable - Class;
- Introduction of Subclass to rating variable - Class;
- Changes to rating variable – Driving Record;
- Changes to the Price-Rated Rate Group Table;
- Changes to Deductibles;
- Removal of six-month policy terms;
- Change to the All Perils premium formula;
- Endorsement changes;
- Discount and surcharge Changes; and
- Change to the renewal premium dislocation capping mechanism.

Profit Provision

[7] Wawanesa uses a 12% target return on equity and listed a premium to surplus ratio of 2:1 overall. While the overall ratio is shown to be 2:1, it appears Wawanesa changed from varying the ratio by coverage to using a single ratio across all coverages. In its previous application, Wawanesa changed the methodology used to determine the equity required from using premium to surplus ratio to using the present value of unpaid losses. With this change in methodology, Wawanesa now uses a Present Value Loss to Surplus ratio assumption of 150% to align with its prior assumption of a 200% premium to surplus ratio by also assuming an overall Present Value Loss to Premium ratio of 75%. The company notes, therefore, that the premium to surplus ratio of 2:1 stated in the application is not relevant because it does not use a premium to surplus ratio.

[8] Wawanesa made the change as part of its goal to continuously improve its actuarial best practices. Wawanesa believes this methodology better reflects the reality of capital needed to support insurance contracts by basing this need on the underlying risk of the policy and releasing capital as this risk diminishes.

[9] The selection of a 12% return on equity puts Wawanesa at the top of the Board's range of reasonable return on equity (i.e., 10%-12%) and for profit provision (i.e., 5.2%-6.6%). In recent decisions, the Board, concerned about the level of profit observed for the industry, as measured by return on equity (ROE), directed some companies to use a 10% ROE. When asked why Wawanesa should not be required to make a similar adjustment, the company responded that its proposed target ROE was well below 10% and 12% and therefore should be of no concern.

[10] The financial information shows that Wawanesa earned an overall return on equity well below 10% in all five years. Loss ratios for Nova Scotia were better in three of the four years that Wawanesa was able to provide comparable loss ratios, than observed for the company in all of Canada, although the amount of data is small, and the results are volatile. Despite this observation, even if Nova Scotia results are better, the returns on equity observed are still very small and fall below the target.

[11] Board Staff advised that, as in previous applications, Wawanesa's experience appears different from the industry. Staff recommended the Board accept the profit provision included in Wawanesa's indications. The Board agrees.

Staff Indications

[12] Based upon the recommendation to accept Wawanesa's assumptions, the Staff Indications, which represent the target against which the company proposal should be assessed for reasonableness, equal Wawanesa's indications. Board staff recommends, therefore, that the Board use the company's indications as the target against which Wawanesa's proposal should be assessed for reasonableness. The Board agrees.

Proposed Rate Changes

[13] Wawanesa proposed changes for all coverages except Uninsured Automobile and Family Protection Endorsement (SEF#44). For all other coverages, except Property Damage – Tort, Wawanesa proposed rate changes that follow the direction of the indications but were lower. For Property Damage- Tort, the company proposed a smaller than indicated decrease. Given the change for mandatory coverages

combined is well below the indicated level, there is no need to require a change in the Property Damage-Tort.

[14] The proposed rates produce a small return on equity (2.13%) that is well below Wawanesa's target of 12% and the lower end of the Board's range (i.e., 10%). The company explained that it "decided to take less than indicated rate increase considering the financial impact that large rate changes will have on our members." It said further, it would continue to monitor performance and that it did not believe its proposal would jeopardize its "ability to meet our financial responsibilities as an insurer."

[15] The Board has concerns about companies taking much smaller increases than indicated and the possibility for large future increases. This application again sees Wawanesa taking much less than indicated rates. The Board takes comfort that Wawanesa's proposal is more than 50% of the indicated increase. Taking the larger step towards indicated rates mitigates the Board's concerns somewhat.

[16] Board Staff recommend the Board approve Wawanesa's proposed rate changes. The Board agrees.

Rating Algorithm Change

[17] The current rating algorithm that Wawanesa uses has a hybrid mixture of multiplicative items and additive items. The company adds the discounts and surcharges before it multiplies (1+ that total sum) to the previous step in the algorithm.

[18] Wawanesa proposes to switch to a pure multiplicative approach where differentials are multiplied at each step in the algorithm, rather than adding discounts and surcharges before applying them. To make this change, the discounts and surcharges were changed from a discount level to a differential.

[19] Board staff recommend the Board approve the proposed change to a pure multiplicative approach for the rating algorithm. The Board agrees.

Changes to Rating Variable - Territory

[20] Wawanesa proposed no changes that vary by territory. However, the company will change the structure of its approach to the inclusion of Territory in ratings. Currently, Wawanesa creates separate base rates for each territory for those coverages impacted by this rating variable. Wawanesa will move to an approach that establishes a single set of base rates by coverage and a series of territorial differentials. The proposed differentials recreate the current differences between the territorial base rates. As a result, the change has no impact on revenue.

[21] Board staff recommend the Board approve the change from territorial base rates to a single set of base rates and a series of territorial differentials. The Board agrees.

Changes rating variable - Class

[22] Wawanesa proposed adding the following classes to this rating variable:

Class	Description
48	Dangerous Goods
62	Truckmen (Within Radius of 400 kms)
63	Truckmen (Within Radius of 750 kms)
64	Truckmen (Over Radius of 750 kms)
75	Funeral Service Vehicles

[23] Wawanesa based the proposed differentials for these new classes on those it uses in Ontario. Lacking sufficient credible data to develop these differentials using Nova Scotia data only, the company believes this is the best approach. For example, to create the differential for Nova Scotia Class 62, Wawanesa multiplied the Nova Scotia Class 61 differential by the ratio of the Class 62 differential to the Class 61 differential in Ontario. However, for Class 75, Wawanesa used the differential for Class 36, which is also the default class differential.

[24] Board staff recommend the Board approve the introduction of the new Classes and the proposed differentials. The Board agrees.

Introduction of Subclass to Rating Variable - Class

[25] Wawanesa observed that most of its commercial risks are concentrated within a few classes, namely Class 36 (about 60% of portfolio), Class 55 (about 15% of portfolio), and Class 44 (about 7%). The concentration of risks results in most of the portfolio paying the same premium. To better differentiate among risks, Wawanesa proposed the introduction of Subclass for these Classes. The Subclass varies by weight, delivery type, and operation (or type of use). The Subclass value is determined by joining the following items together:

- Three-digit code that varies by operation or type of use;
- Delivery Code (i.e., N for no delivery, R for retail delivery and W for wholesale delivery); and
- Weight Code (i.e., L for light vehicles (up to 4500 kg) and H for heavy vehicles (>4500 kg).

[26] As this variable is new to Wawanesa, the company has little data to produce a rating differential at this granular level. Accordingly, Wawanesa assigned differentials for the Subclass factors based on business considerations (i.e., risks that the company

wants to and is comfortable in writing for the premium proposed). The proposed factors apply a 25% surcharge for certain Subclasses with the list of subclasses varying by coverage. In all other cases, the Subclass factor is 1.000 resulting in no change to premium resulting from the addition of Subclass. The impact of the change will flow through to base rates like all other changes.

[27] Board staff recommend the Board approve the proposed addition of Subclass to the Class variable and the proposed factors with a requirement for Wawanesa to provide information on experience differences by Subclass in a future filing after Subclass has been in effect for at least two years. The Board agrees.

Changes to rating variable – Driving Record

[28] Wawanesa uses the Driving Record rating variable for Bodily Injury, Property Damage-Tort, Direct Compensation Property Damage (DCPD) and Collision. The company proposed adding the variable to Accident Benefits. The company has been using the variable for this coverage in Ontario for some time, and believes that an insured's driving behaviour, as captured in the driving record, should have some impact on the claims for this coverage. The company noted its Ontario pricing model shows this variable is predictive for Accident Benefits. Wawanesa stated the signal for this variable was greater than some others used in the Accident Benefits rating algorithm.

[29] While Wawanesa used Ontario data to justify the use of the rating variable, the company will use the current differentials for other coverages, rebased to Driving Record 6, as discussed below. In addition, Wawanesa will re-base the differentials to Driving Record 6 (the best driving record) which represents the record that is the most common. The current base differential is Driving Record 3. Wawanesa will divide each of

the current Driving Record differentials by the current Driving Record 6 differential to create the re-based differentials. Wawanesa allowed the impact of these changes, as well as the others, to flow-through to the base rate change and then adjusted base rates to achieve the desired changes by coverage and overall.

[30] Board staff recommend the Board approve the proposed changes to the Driving Record rating variable, including both the application to Accident Benefits and the differential changes.

Changes to the Price-Rated Rate Group Table

[31] Wawanesa uses its Price-Rated Rate Group Table, when the commercial vehicle cannot be found in the Canadian Loss Experience Automobile Rating (CLEAR) table. The current table assigns a rate group based on price bands and vehicle age bands. For this table, Wawanesa uses a separate set of differentials.

[32] Wawanesa proposed changes to this table to move the rate groups to be more in line with the CLEAR table rate groups so that the company can use a single set of differentials (i.e., the CLEAR rate group differentials). Wawanesa will expand the vehicle age dimension to use the actual vehicle age for 0-17 years and then group 18 or more years together, rather than its current process of grouping ages together into three bands. Wawanesa also made some minor changes to the pricing band widths by moving to a fixed $5,000 band width instead of the variable ones currently used. Wawanesa believes this approach will improve the differentiation among risks. Wawanesa will use this new table for DCPD, Collision and Comprehensive. For Accident Benefits, Wawanesa will use Rate Group 5 for all price-rated vehicles. The company will let the

impact of the table change flow through to the base rate changes by coverage and then will adjust base rates to achieve the desired changes by coverage and overall.

[33] Board staff recommend the Board should approve the proposed changes to the Price-Rated Rate Group Table and the differentials. The Board agrees.

Changes to Deductibles

[34] Wawanesa proposed a change to its minimum deductibles. For Collision and Comprehensive, Wawanesa will set the minimum deductible for light commercial vehicles to $500 and for heavy commercial vehicles to $1,000. The company notes the change will recognize the higher exposure that commercial vehicles pose. The change will align Wawanesa with the industry and avoid anti-selection that may arise from risks seeking lower deductibles if other companies’ minimums are higher. Wawanesa notes the change impacts about 5% of the portfolio for Collision and about half of the portfolio for Comprehensive.

[35] In addition to changing the minimum deductibles, Wawanesa changed the differentials. After undertaking an analysis of the experience from 2017-2023, Wawanesa determined new differentials. The company also rebased the differentials for Comprehensive and Specified Perils to $500 from the current $250.

[36] Board staff recommend the Board approve the proposed changes to minimum deductibles and to the deductible differentials. The Board agrees.

Removal of Six-Month Policy Terms

[37] Wawanesa will no longer write six-month (or half-year) policies and will only use 12-month terms. Less than 1% of the Wawanesa portfolio use six-month terms, so the impact of the change is minimal.

[38] Board staff recommend the Board approve the proposed removal of six-month policy terms. The Board agrees.

Change to the All Perils Premium Formula

[39] The current premium for All Perils is determined as 100% of the Collision premium plus 95% of the Comprehensive. All Perils coverage provides more coverage than the combined benefits that Collision and Comprehensive provide. As such, Wawanesa argues that providing the coverage at a discount to the sum of the Collision and Comprehensive premium seems unreasonable. The company proposed changing the premium calculation for All Perils to be 100% of the Collision premium plus 100% of the Comprehensive premium (i.e., no discount).

[40] Board staff recommend the Board approve the proposed change to the All Perils premium formula to remove the discount on Comprehensive. The Board agrees.

Endorsement changes

[41] Wawanesa proposed changes to several of its endorsements. For NSEF#13C – Comprehensive Cover - Deletion of Glass endorsement, which removes coverage for glass claims from Comprehensive, Wawanesa proposed a change in the premium formula used when this endorsement is taken. Currently, the premium the insured pays when the endorsement is applied, reduces to 100% of Specified Perils

premium plus 10% of the Comprehensive premium. To simplify the administration, Wawanesa will change the formula to 80% of the Comprehensive premium. This approach more easily highlights the reduction in premium associated with the removal of glass coverage.

[42] Wawanesa proposed adding a $7,500 per occurrence limit to its NSEF#20 – Loss of Use endorsement. The company explains delays in completing vehicle repairs necessitate longer rentals of replacement vehicles. The higher limit will accommodate these longer rentals and the associated higher total costs of such rentals. Wawanesa determined the premiums for the new limit by using the incremental change in premium observed for its current limits. As such, the premium reflects a similar relationship to the limit of coverage provided by the current limits.

[43] Wawanesa also proposed adding new vehicle value limits to its NSEF 27B - Legal Liability for Damage to Non-Owned Automobile Endorsement - Business Operations for Non-Owned Automobiles in Your Care, Custody or Control. Wawanesa will add a $100,000 limit for light vehicles and $350,000 and $400,000 limits for heavy vehicles.

[44] Wawanesa stated that vehicle values have increased, and customers need higher limits to cover rentals of higher value vehicles. Wawanesa used the incremental change in premium for the current vehicle value limits to establish the premiums for the new limits.

[45] In addition to the new vehicle values, Wawanesa will alter the deductibles that will apply when a claim arises under this endorsement. Currently, Wawanesa applies a $2,500 deductible regardless of vehicle value. While the $2,500 deductible will continue

to apply for light commercial vehicles, Wawanesa will vary the deductible for each heavy commercial vehicle value limit over $75,000. The proposed deductibles are in line with Wawanesa's minimum deductibles that apply to owned vehicles. The higher deductibles limit the risk posed by the higher vehicle values for heavy commercial vehicles. Wawanesa notes that three of the ten heavy commercial vehicles that carry this endorsement will see higher deductibles under the proposals.

[46] For light commercial vehicles, Wawanesa offers the NSEF#39 - Accident Rating Waiver endorsement. This optional endorsement provides protection against the premium effects of a first chargeable accident for a light commercial vehicle operated by an experienced driver. That is, the premium will not increase for the first accident of an insured eligible to purchase the endorsement. Once an accident has occurred, the insured must continue to pay the endorsement premium for the benefit of the accident waiver to remain in effect.

[47] For NSEF#39, Wawanesa currently charges a flat $50 premium per vehicle included under the endorsement. The company proposed changing this flat premium to a premium formula that is a percentage of the sum of the premiums for Bodily Injury, Property Damage-Tort, DCPD, Accident Benefits, and Collision (or the Collision portion of All Perils). These coverages are the ones that would be impacted by an at-fault accident that was not forgiven. The selected percentage produces an average premium that is close to the current $50 flat rate.

[48] Wawanesa offers NSEF#43R/L – Limited Waiver of Depreciation endorsement for light commercial vehicles. This endorsement waives depreciation in the event of a total loss of the new automobile in the first 24 months after delivery to the

insured. Wawanesa currently charges a flat $80 premium for this endorsement. Wawanesa proposed to change the premium to a formula that is a percentage of the sum of the DCPD, Collision, Comprehensive, Specified Perils, and All Perils premium that applies to the vehicle. The premium will vary by vehicle age up to 48 months, which represents an increase in coverage from 24 to 48 months. The percentage that applies will increase every 12 months to reflect the increase in the applicable depreciation. The proposed percentages equal those used by Wawanesa in Ontario. Nothing suggests the Ontario experience is so different from Nova Scotia's that using the Ontario percentages would be unreasonable or inappropriate.

[49] Board staff recommend the Board approve all the proposed changes to coverage and premiums, or premium formulae, where applicable, for these endorsements. The Board agrees.

Discount and Surcharge Changes

High Theft Vehicle Surcharge

[50] Having observed a rise in frequency and severity of theft claims for commercial vehicles in the General Insurance Statistical Agency (GISA) data, as well as noting several competitors receiving approval for high theft vehicle surcharges, Wawanesa proposed the introduction of its own High Theft Vehicle Surcharge. Wawanesa believes the surcharge will provide additional compensation for the extra risk posed by vehicles at higher risk of theft. The surcharge will insulate the company from anti-selection, whereby owners of vehicles at higher risk of theft gravitate to companies who do not apply a surcharge instead of insuring with a company that does apply the

surcharge. Without a surcharge, the company could see more high theft vehicles looking to insure with it.

[51] Wawanesa will apply a $500 surcharge to any vehicle aged between zero and five years, which appears on its high theft vehicle list. To develop this list, Wawanesa looked to internal data from other provinces, due to limited credibility of the risks in Atlantic Canada, as well as to the top ten stolen vehicle list from Équité Association's 2023 report for Atlantic Canada. Wawanesa wants to surcharge as few risks as possible and feels the Équité list would best reflect the riskier vehicles in Nova Scotia.

[52] Wawanesa compared the frequency of theft claims for vehicles on the list to that for its overall portfolio of commercial vehicles. Where the company had exposures, the theft frequency of high theft vehicles exceeded that for the overall portfolio. This result supports the need for the surcharge. Wawanesa noted that pick-up trucks tended to be the target of theft of commercial vehicles for the company.

[53] Based on this list, Wawanesa estimates about 10% of its portfolio of risks would be subject to the surcharge. This result is consistent with the goal of surcharging as few vehicles as possible. Wawanesa proposes to periodically update the list to reflect emerging theft experience and to recognize changes in the Équité lists over time. The company wants the Board to approve its process for reviewing risks rather than having to file with the Board each time the list changes. Wawanesa proposes the Board approve its approach while allowing it to adjust its high theft list by changing vehicle makes and models to reflect Équité's future releases of its top ten stolen vehicle list or to other vehicle makes and models that Wawanesa determines are most frequently stolen based on its own data, again limiting the number of vehicles surcharged to a maximum of 15%. This

approach seems reasonable, as long as Wawanesa provides the Board with the updated list each time it changes, for the Board's records.

[54] Wawanesa will waive the High Theft Vehicle Surcharge if the high theft vehicle subject to the surcharge has a theft recovery device (e.g., KYCS Locate, Tag, or Domino) installed on the vehicle. Wawanesa notes only KYCS Locate is currently available, but the company expects these other devices, used in other provinces like Ontario, will eventually make their way to Nova Scotia. The heightened ability to recover stolen vehicles provided by the device offsets in part the higher theft risk for these vehicles. The removal of the surcharge will provide an incentive for clients to install a theft recovery device.

[55] To establish the $500 surcharge, Wawanesa examined previous Board Decisions approving high theft vehicle surcharges. The company felt the $500 level was in line with those decisions.

[56] Through the Information Request process, Wawanesa provided evidence that showed the average Comprehensive premium for high theft vehicles is about 80% higher than that for non-high theft vehicles. This represents about $130 higher premium. When asked if this difference did not reflect the higher theft risk, Wawanesa noted that the surcharge only applies to newer vehicles (up to five years old). When one compares the average comprehensive premium for newer high theft vehicles and newer non-high theft vehicles, the difference falls to less than $10. This result suggests the Comprehensive premium does not capture the full cost of the higher theft risk for these vehicles and warrants the proposed surcharge.

[57] Board staff recommend the Board approve the proposed $500 surcharge for High Theft Vehicles for those vehicles on Wawanesa's high theft vehicle list. The Board agrees. Changes to the vehicles on the high theft vehicle list represent a risk-classification system change and s. 155C(2) of the *Act* requires "every insurer to apply to the Board for approval of any changes to its risk-classification system." As a result, Wawanesa must file any changes to the high theft vehicle list for approval before it can use the new list. The Board will adopt a simplified process to file such changes so that they can be reviewed and approved expeditiously.

Anti-Theft Device Discount

[58] If the owner of a non-high theft vehicle has an anti-theft, or theft recovery device (e.g., KYCS Locate, Tag, Domino) installed, Wawanesa will apply a 10% discount. The discount provides a premium reduction to reflect the heightened ability to recover a stolen vehicle and therefore to reduce theft claim costs.

[59] Wawanesa will not discount vehicles on its high theft vehicle list with a theft recovery device installed. Wawanesa believes the waiver of the High Theft Vehicle Surcharge if the device is installed provides enough rate benefit for having the device. The company also believes these vehicles will remain at higher risk of being stolen.

[60] Wawanesa notes the 10% level of the discount was a judgmental selection. The company notes that the expected value of the benefit of having an anti-theft device for vehicles that are not high theft vehicles will not be as great. Wawanesa believes a 10% discount is reasonable as it provides some incentive for customers to install a device to help mitigate the risk of the vehicle being stolen. The company notes that it does not currently collect information regarding the installation of anti-theft or theft recovery

devices. As a result, Wawanesa could not estimate the impact of the introduction of this discount.

[61] Board staff recommend the Board approve the proposed introduction of the Anti-Theft Device Discount. The Board agrees.

Truckmen Commodity Surcharge

[62] Wawanesa explains that while the new Subclass factor under Class discussed earlier will differentiate Truckmen operations by their radius of operations. Wawanesa notes that some differentiation within the operations of Truckmen is missing. The company proposed the addition of Truckmen Commodity Surcharge. This surcharge will apply if the vehicle hauls any of the following commodities: Non-Hazardous Bulk Liquid (i.e., Dairy, Water), Sand and Gravel, Dangerous Goods, Logs, Lumber and Moving and Storage. The surcharge is 50% for all these cargos except Dangerous Goods, where the surcharge is 200%. The surcharge provides compensation for the extra risk Wawanesa assumes when the vehicles carry these cargo types.

[63] Board staff recommend the Board approve the proposed Truckmen Commodity Surcharge. The Board agrees.

Minor Conviction Surcharge

[64] Wawanesa applies a surcharge if the risk has two or more minor convictions in the preceding three years. The company reviewed the combined experiences from New Brunswick, Nova Scotia and Prince Edward Island and found it suggests that the experience for a single minor conviction is much worse than for no convictions. Wawanesa proposed applying a 15% surcharge for a single minor conviction. The

company will also increase the surcharge for two convictions from 15% to 35%. The incremental surcharge for each additional conviction after two will remain 25%. The evidence provided supports the changes.

[65] While the surcharge does not apply currently to Accident Benefits, Wawanesa will add it to that coverage. The company believes the insured's driving behaviour would have an impact on the likelihood of claims arising under Accident Benefits coverage, as it does with other coverages. Wawanesa applies this surcharge to Accident Benefits in Ontario where the analysis showed it was predictive of the risk of claims under the coverage.

[66] Board staff recommend the Board approve the proposed changes to the Minor Conviction Surcharge, including adding the surcharge to Accident Benefit coverage. The Board agrees.

Major Conviction, Serious Conviction and Accident Surcharges

[67] Wawanesa does not currently apply Major Conviction, Serious Conviction or Accident surcharges to Accident Benefits. Wawanesa will add them to this coverage. As noted for the Minor Conviction Surcharge, the company believes the insured's driving behaviour would have some impact on the likelihood of claims arising under Accident Benefits coverage, as it does with other coverages. Wawanesa applies these surcharges to Accident Benefits in Ontario, where the analysis showed these convictions were predictive of the risk of claims under this coverage.

[68] Board staff recommend the Board approve the proposed changes to the Major Conviction Surcharge, the Serious Conviction Surcharge, and the Accident Surcharge. The Board agrees.

Radius of Operation Discount (Truckmen)

[69] Wawanesa provides a discount when truckmen are rated as Class 61 with a radius of operations between 81km and 160km all within Canada. The discount is banded with one level applying to radii of 81km to 100km and a second for 101km to 130km. No discount applies for radii of 131km to 160km. The discount applies to Bodily Injury, Property Damage-Tort, and Collision (including the Collision portion of All Perils) with the Collision discount being higher.

[70] Wawanesa notes few risks qualify for the discount and the company has difficulty verifying the lower radius of operation. The company proposed the removal of the discount. Board staff recommend the Board approve the proposed removal. The Board agrees.

Radius of Operation Surcharge (Sand and Gravel) and Mobile Canteen Surcharge

[71] Vehicle uses and types of sand and gravel and mobile canteen will be captured by the new Subclass factor under Class. Wawanesa proposed the removal of these separate surcharges, given they would be redundant under the new rating approach.

[72] Board staff recommend the Board approve the proposed removal of these surcharges. The Board agrees.

Radius of Operation Surcharge (Truckmen)

[73] Wawanesa proposed the introduction of this surcharge that will apply to class 64 Long-Haul/Truckmen that operate within a radius of more than 800km. The

surcharge will apply to Bodily Injury, Property Damage-Tort, DCPD, Collision and the Collision portion of All Perils. The surcharge begins at 25% and increases by an additional 25% for each 400km until it gets to 75%, at which point it remains level. Wawanesa introduced this surcharge in both Ontario and Alberta for Commercial vehicles. The surcharge reflects the additional risk posed by these longer operating radii.

[74] Board Staff recommend the Board approve the proposed surcharge. The Board agrees.

Radius of Operation Surcharge (Non-Truckmen)

[75] Wawanesa proposes to change this surcharge by adding a new radius band of 401km – 750km. The company will also adjust the surcharge to be based on how many trips per month the vehicle makes, which will allow for a better assignment of premium to the risk posed.

[76] The company will also remove the surcharge from Accident Benefits as it is not included in other provinces. The company will now write class 48, and that Class will be eligible to have the surcharge apply.

[77] Board Staff recommend the Board approve the proposed changes to the Radius of Operation Surcharge for non-Truckmen. The Board agrees.

Renewal Premium Dislocation Capping Mechanism

[78] In Wawanesa's last application, the Board approved the company's proposed introduction of a renewal premium dislocation capping mechanism. The mechanism limits both renewal premium increases and decreases. The level of the cap on premium increases varies with the size of the uncapped increase on the policy. As the

renewal increase gets larger, the level of the cap increases to allow more of that increase to be reflected. Wawanesa also caps renewal premium decreases at 0%.

[79] Wawanesa proposed changes to the capping limit that applies when the renewal premium increase is greater than 10%. The changes for the applicable bands will result in more of the renewal premium increase to be applied. For capping to apply, the vehicle must carry Bodily Injury coverage. This requirement eliminates those vehicles insured, for example, with only Comprehensive coverage.

[80] The cap applies if there is no material change in the risk posed to Wawanesa during the previous policy term. The company provided the following list of material changes:

- Vehicles changing from private passenger automobile to commercial vehicle, or vice versa;
- Any increase in the count of ratable convictions; and
- Any increase in the count of chargeable accidents that have not been waived the Accident Waiver Endorsement.

[81] Capping does not apply for a Rewrite – New Term, that is the policy is cancelled, and the client does not pay the reinstatement fee, and a new effective date applies. Wawanesa viewed this situation as new business, which is not capped. Capping will apply, however, if there is a Rewrite – Full Term, that is the cancelled policy is reinstated as a rewrite with the same effective dates.

[82] Wawanesa provided evidence that the extra premium collected under the negative cap will be lower than the premium foregone on the upper cap. With the cap on decreases allowing no decreases to occur, however, this situation may not be true in

future years. Wawanesa noted that it intends to manage the premium dislocation capping and will make changes to ensure the Board requirement continues to be met.

[83] Board Staff recommend the Board approve the proposed changes to the renewal premium dislocation capping mechanism. The Board agrees.

III SUMMARY

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

[85] The Board finds the proposed rates are just and reasonable, and approves the changes effective of October 1, 2025 for both new business and for renewal business.

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

[87] 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 commercial vehicles is March 1, 2028.

[88] Board staff reviewed Wawanesa's proposed Automobile Insurance Manual, as revised during the Information Request process, and did not find any instances where the Manual contravened the *Act* and *Regulations*. The company must file an electronic version of its Manual, within 30 days of the issuance of the order in this matter.

[89] An Order will issue accordingly.

DATED at Halifax, Nova Scotia, this 25th day of June, 2025.

M. Kathleen McManus