

DECISION

**2026 NSRAB 25
M12646**

NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

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

BEFORE: Marc L. Dunning, P.Eng., LL.B., Member

APPLICANT: **UNITED GENERAL INSURANCE CORPORATION**

FINAL SUBMISSIONS: February 3, 2026

DECISION DATE: February 13, 2026

DECISION: Application is approved, subject to the condition that United General Insurance Corporation cannot use Classes 8 and 9 for the purposes of rating.

I INTRODUCTION

[1] United General Insurance Corporation (United) 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 changes to its rates that vary by coverage and territory and result in an overall increase of 16.1%. In addition to changes to rates, the company also asks the Board to approve the following: changes to territorial relativities; adoption of the 2025 AB Alberta & Atlantics – Collision, Comprehensive and Direct Compensation Property Damage (DCPD) Separated version of the Canadian Loss Experience Automobile Rating (CLEAR) table; changes to Class rating variable and deductible options; changes to eligibility criteria for its Multi-Vehicle Discount and its Support Discount; introduction of the Alumni Discount for alumni of maritime universities; and changes to endorsement offerings.

[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 United's application meets these requirements and approves the company's proposed rates and risk-classification system, subject to the condition that United cannot use Classes 8 and 9 for the purposes of rating.

II ANALYSIS

[3] United applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, United 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 United. 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 United 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:

- rate changes and profit;
- changes to territorial relativities;
- adoption of the 2025 CLEAR table;
- changes to Class rating variable;
- changes to deductible options;
- changes to eligibility criteria for Multi-Vehicle Discount and Support Discount;
- introduction of the Alumni Discount;
- changes to endorsement offerings; and
- changes to Automobile Insurance Manual.

Rate Changes and Profit

[6] United proposes changes to its rates and risk-classification system that vary by coverage and territory. The impact of these changes is an overall, all-coverages combined increase of 16.1%. United based the proposed changes on revised indications that suggest a much larger overall increase should be taken.

[7] United targets an after-tax return on equity of 12% per annum. The company also uses a 1.5:1 premium to surplus ratio. These assumptions produce a profit provision higher than the top end of a range that reflects the Board's 10-12% range for a reasonable return on equity and a 2:1 premium to surplus ratio.

[8] 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 return on equity to 10%. Despite some intervening years showing negative returns on equity for the industry, the Board continues to require a 10% target return on equity unless the company demonstrates it differs from the industry.

[9] United explained that as a monoline mutual insurer it has limited ability to raise capital or to diversify its risk. For that reason, the company believes a 12% return is appropriate. The company also used this rationale to justify its selection of a 1.5:1 premium to surplus ratio instead of the more common 2:1 ratio.

[10] The limited ability to raise capital or diversify risks seems to warrant a higher profit provision for United. Profit provision can be increased by raising the target return on equity or by lowering the premium to surplus ratio. The company chose to use both a 12% return on equity and a lower premium to surplus ratio. United made similar statements to support this same choice in previous applications, where the Board ordered the company to use a 10% return on equity and a 1.5:1 premium to surplus ratio.

[11] The combination of a 10% return on equity and a 1.5:1 premium to surplus ratio produces a profit that should be sufficient to address the company's concerns. As such, the higher return on equity of 12% is not warranted.

[12] United provided indications using a 10% return on equity and a 1.5:1 premium to surplus ratio. The result was a slight decrease in the overall indication.

[13] Board staff recommend the Board require United to use a 10% return on equity and all other United assumptions, including a premium tax level of 4%, when

determining its indicated rate level need. Board staff indications calculated on this basis are slightly less than United's indications. Despite the small differences, Board staff recommend the Board use these staff indications as the appropriate target to assess the reasonableness of United's proposal. The Board agrees.

[14] For coverages where United proposes changes, they were in the direction of the indications but smaller. Except for Accident Benefits and Uninsured Automobile, where the company proposes no changes despite an indication for a decrease, the proposed rates are lower than indicated.

[15] For mandatory coverages combined and for optional coverages combined, United proposes changes that are below indicated levels. The company noted there were several considerations that went into selecting the proposed changes, including the current competitor landscape and dislocation impacts to renewal customers. United decided not to take the full indications at this time but plans to develop an updated analysis before its next mandatory filing and will consider another increase if the indications are similar.

[16] Because United's proposed overall change is lower than Board staff's indicated change, the proposed rates produce a return on equity that is below the recommended 10% level.

[17] United supported its proposed changes to rates. Board staff recommend the Board approve the proposed rate changes. The Board agrees.

Changes to Territorial Relativities

[18] United conducted an analysis of its territorial relativities. Based on that analysis, the company proposes changes to Territory 6. These changes increase the

relativities for this territory. The company explained that the indications for this territory were mainly increases while other territories suggested only minor or minimal changes.

[19] The company included the impact of the territorial differentials changes in the amount used in the off-balancing calculations to make all the changes revenue-neutral.

[20] The analysis provided seems reasonable, as do the proposed changes. Board staff recommend the Board approve the proposed changes to territorial relativities. The Board agrees.

Adoption of 2025 CLEAR Table

[21] United currently uses the 2024 CLEAR table to assign rating groups for Accident Benefits and physical damage coverages. The company uses the AB Alberta & Atlantic – Collision, Comprehensive and DCPD Separated version of the table.

[22] United proposes the adoption of the 2025 version of this table. This version is consistent with what the company uses in New Brunswick.

[23] United off-balanced the impact of the table change to make it revenue-neutral.

[24] Board staff recommend the Board approve the proposed adoption of the 2025 CLEAR table. The Board agrees.

Changes to Class Rating Variable

[25] United proposes changes to its Class differentials. Currently, United does not vary its differentials for some Classes. Inexperienced principal operator Classes 8-9, and 10-13, where the Class depends on marital status and years licensed, all use the

same differential. Inexperienced female operator Classes 18 and 19, where the difference is based only on years licensed, use the same differential, but one that differs from the value used for Classes 8-13.

[26] United proposes to distinguish the differentials for these Classes. The company explained that when it entered Nova Scotia, it adopted its initial rates from a competitor who did not distinguish these differentials.

[27] United analyzed the industry average premiums by Class and that analysis showed roughly 10% decreases as Classes 8-9, 10-13 and 18-19 progress. To remain competitive in the market, United proposes changes to offer more competitive rates as drivers achieve the increased levels of driving experience rather than waiting for them to move out of the inexperienced Class (i.e., nine or more years licensed).

[28] When developing its proposed differentials, the company considered the relative differences between Facility Association's Class differentials, where available. The proposed differentials reflect a decrease as the number of years licensed increases, as one would expect.

[29] Classes 8 and 9 represent inexperienced married male principal operator rates. The distinction between the two is the number of years licensed (i.e., Class 8 – up to five years licensed, Class 9 – over five but under nine years licensed). For unmarried male inexperienced principal operators (Classes 10-13), there is a more refined breakdown of the years licensed (i.e., Class 10 – under three years licensed, Class 11 – three or four years licensed, Class 12 – five or six years licensed, and Class 13 - seven or eight years licensed).

[30] Given this distinction, it is possible that a married male with the same number of years licensed with all other characteristics the same would pay a different rate than an unmarried male. Because marital status is a prohibited risk-classification factor, United cannot use Class 8 and 9 and must use Class 10-13 for all inexperienced male principal operators, whether married or not. When the current differentials were all the same, this issue did not arise. In a response to an IR from Board staff, United acknowledged that it would not use the proposed differentials for Classes 8 and 9 but included them to be consistent with its structure for New Brunswick.

[31] Classes 18 and 19 are for female operators licensed up to five years and operators licensed over five but under nine years, respectively. Marital status is not recognized in these Classes and therefore, no issue exists.

[32] The company included the impact of the Class differential changes, which was a small reduction, with the impacts of other changes that United off-balanced to make them revenue-neutral.

[33] Board staff recommend that the Board approve the proposed differentials for Classes 8-13 and 18-19 with the caveat that United cannot use Classes 8 and 9 for the purposes of rating, given their use would result in a violation of the prohibition on the use of marital status as a risk-classification factor. The Board agrees. United can report Class 8 or 9 risks to the automobile statistical plan administered by the GISA, if required, as only rating using these Classes is prohibited.

Changes to Deductible Options

[34] United proposes the introduction of a \$750 deductible to its current deductible offerings for Collision, Comprehensive and Specified Perils. To develop the differential for this level, United linearly interpolated between its current \$500 and \$1,000 deductible differentials. This approach seems reasonable.

[35] The introduction of this new level of deductible is needed because the company will also lower its minimum deductible from \$1,000 to \$750. This change harmonizes the company's minimum deductibles between Nova Scotia and New Brunswick.

[36] Board staff recommend that the Board approve the proposed addition of the \$750 deductible, the associated differentials and the change in the minimum deductible. The Board agrees.

Changes to Eligibility Criteria for Multi-Vehicle Discount and Support Discount

[37] United offers a 10% Multi-Vehicle Discount where two or more private passenger vehicles are owned/leased and principally driven by the insured, their spouse, son, or daughter living in the same household if the company insures all vehicles.

[38] The company also offers a 15% Support Discount where the insured is also a named insured or resident on a property insurance policy providing Homeowner, Farm Owner, Condominium or Tenants package residential coverages. Vehicles owned by the insured's spouse, son or daughter residing with the insured in the same household, are also eligible for the discount.

[39] United proposes expanding the eligibility for both discounts to include siblings, elderly parents or other relatives living in the same residence. The company made this change in New Brunswick and wants to harmonize Nova Scotia with the same approach.

[40] The expanded criteria do not appear to violate the *Regulations* and will provide the discount to more vehicles. As such, the proposal seems reasonable.

[41] United notes the change will lower rates a small amount overall which the company will off-balance to make the change revenue-neutral. That is, it will not collect any less premium than it currently does when it makes this change.

[42] Board staff recommend the Board approve the proposed change to the eligibility criteria for the Multi-Vehicle Discount and the Support Discount. The Board agrees.

Introduction of Alumni Discount

[43] United proposes the introduction of a discount for alumni of maritime universities. It proposes a discount of 5% and can apply for up to two alumni and two vehicles per household. If there is a single alumnus with more than one vehicle, the discount applies to the highest rated vehicle. If there are two alumni and two or more vehicles, a 5% discount will apply to the two highest rated vehicles. Where there are two alumni and only one vehicle, a single 5% discount applies.

[44] United notes that many insurers offer a discount to university alumni. The company's decision to introduce this discount is a competitive one. The company hopes

to attract more of this business, which typically sees better driving experience or less risky characteristics.

[45] United provided a list of the maritime universities that it proposes be eligible for the discount. The company chose these universities because United and the universities have a strong connection to Atlantic communities and the discount is a way to recognize that connection. The company could expand the list to other universities in the future but is opting for a more regional focus first.

[46] The *Regulations* allow for this discount but are silent on restricting it to specific universities. The Board interprets that as allowing for United's proposal. This approach is no different than a company providing lower group rates to alumni of a specific university, which is allowed.

[47] United estimated the impact of the introduction of this discount. The approach used to determine this impact seems reasonable. United off-balanced this impact to make the introduction of the discount revenue-neutral.

[48] Board staff recommend the Board approve the proposed Alumni Discount. The Board agrees.

Changes to Endorsement Offerings

[49] United proposes changes to three of its endorsement offerings. The first change is to NSEF#27 – Liability for Damage to Non-owned Automobiles and Other Coverages when Insured Persons Drive Other Automobiles endorsement. This endorsement provides coverage for damage to rental or leased vehicles the insured drives. The company currently limits the coverage for vehicle values up to \$50,000. United

proposes increasing the maximum vehicle value to \$75,000 and increasing the premium for the endorsement. The increase in the premium seems reasonable given the relative difference in the old and new maximum vehicle values. The company indicates the change will have minimal impact on current policyholders.

[50] United proposes to increase the premium it charges for its NSEF#39 - Accident Rating Waiver endorsement, which preserves the insured's six (6) star driving record & claims free discount in the event of a first at-fault accident. After that accident, the endorsement is removed and any future at-fault accident will impact the driving record and claims-free discount per the normal rules. United proposes increasing the current premium. The company based this increase on a survey of its competitors who tended to charge more for this endorsement. The new premium seems reasonable for the coverage provided. United estimated the impact of this change and will off-balance this impact to make the change revenue-neutral.

[51] The final proposed endorsement change, which impacts premiums, is the addition of a \$2,500 limit to its NSEF#20 – Loss of Use endorsement. This endorsement provides coverage for replacement transportation (e.g., rental vehicles, taxis, etc.) when the insured loses the use of the insured vehicle due to an insured peril. The company will charge a premium for this new level, which harmonizes with its offering in New Brunswick. The premium is reasonable for this higher coverage limit. The change has no impact on current clients. Board staff recommend the Board approve the proposed endorsement changes. The Board agrees.

Changes to Automobile Insurance Manual

[52] United proposes changes to its Automobile Insurance Manual in addition to those required to implement the proposed changes discussed elsewhere in this decision. These changes include increasing the maximum vehicle value the company will write and adding definitions of various license suspensions. These changes do not impact rates or the risk-classification system and do not require formal Board approval.

III SUMMARY

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

[54] The Board finds the proposed rates and other changes are just and reasonable, subject to the condition that United cannot use Classes 8 and 9 for the purposes of rating. The rates and changes are approved effective April 1, 2026, for both new business and renewals.

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

[56] 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 United for private passenger vehicles is December 1, 2027.

[57] Board staff reviewed United's Automobile Insurance Manual filed with the Board and did not find any instances where the Manual contravened the *Act* or *Regulations*. The company must file an electronic version of its Manual, updated for the

changes approved in this decision and its other proposed changes that do not require formal Board approval, within 30 days of the issuance of the order in this matter.

[58] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 13th day of February, 2026.

A handwritten signature in blue ink, consisting of a stylized 'M' and 'D' with a flourish.

Marc L. Dunning