

**DECISION**

**2026 NSRAB 17  
M12597**

**NOVA SCOTIA REGULATORY AND APPEALS BOARD**

**IN THE MATTER OF THE INSURANCE ACT**

**- and -**

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

**BEFORE:** Darlene Willcott, LL.B., Member

**APPLICANT:** **INTACT INSURANCE COMPANY**

**FINAL SUBMISSIONS:** January 6, 2026

**DECISION DATE:** **January 30, 2026**

**DECISION:** **Application is approved.**

## I INTRODUCTION

[1] Intact Insurance Company (Intact) 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 but not by territory and will result in an overall increase of 12.7%. In addition to changes to rates, the company also asks the Board to approve the adoption of the 2026 Canadian Loss Experience Automobile Rating (CLEAR table), changes to the differentials for three rating variables, and the introduction of a new discount. It also seeks approval for proposed changes to its approved 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*. The Board is satisfied that Intact's application meets these requirements and approves the company's proposed rates and risk-classification system.

## II ANALYSIS

[3] Intact applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval (Rate Filing Requirements)*. Since the filing of this application, Intact 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 Intact. The company reviewed the report and informed Board staff that it had no comment.

[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 Intact satisfactorily addressed all other aspects of the ratemaking procedure in its application and IR responses. The Board agrees.

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

- Profit provision;
- Proposed rate changes;
- Adoption of CLEAR Table and associated off balancing;
- Differential changes for rating variables:
  - Vehicle Age,
  - Years Licensed, and
  - Credit Score;
- Introduction of Web Discount;
- Proposed changes to renewal premium dislocation capping mechanism;
- Automobile Insurance Manual changes

### **Profit Provision**

[6] Intact previously used a profit provision approach where the underwriting profit margin, permissible loss ratio and premium to surplus ratio (PSR) are not input variables but are outputs of the pricing model. Intact used a model that projects cash flow for a policy using assumptions about expenses, losses, investment income, etc. It also has, as model inputs, a target return on equity, and the percentage of the Office of the Superintendent of Financial Institutions (OSFI) minimum capital test (MCT) that the company desires to hold. The Board required Intact to use a 10% return on equity and 200% of the MCT in this approach. Intact reviewed its approach and made changes.

[7] With the revised methodology, Intact calculates capital required according to the MCT, based on OSFI guidelines. The tangible equity (i.e., capital available) is calculated assuming Intact maintains a level of capital to meet the selected target MCT. This new approach assumes a steady state portfolio and balance sheet, and therefore reserves are known at any point in time. This simplifies the calculation for the underwriting

margin compared to the approach used in the previous filing, which used to calculate capital according to MCT at each point in time.

[8] Intact determines the underwriting margin, or return on premium, by calculating the premium required to meet its target return on equity (i.e., the break-even premium). This approach saw an increase in the margin for longer tail coverages (Bodily Injury, Accident Benefits, Uninsured Motorist, and SEF#44) and a decrease in the margin for short tail coverages (Collision, Comprehensive, DCPD).

[9] The revised methodology produced premium to surplus ratios that were not directly comparable to the prior method. Intact explained the differences and provided these ratios both with and without intangible equity included. The rationale provided seems reasonable. Given that Intact used the Board-required 10% return on equity and the allowed 200% of MCT in the new model, Board staff recommend approving Intact's revised approach to the profit provision. The Board agrees.

### **Proposed Rate Changes**

[10] Intact proposed changes to its base rates that vary by coverage but not by territory. The combined effect is an overall uncapped rate level increase of 12.7%. The proposed rate changes follow the direction of the indicated changes except for Property Damage-Tort and All Perils, but the proposed changes are smaller for several coverages. For Property Damage-Tort and All Perils, the proposed rates are higher than the indicated rates, while for other coverages, they are at, or below, indicated.

[11] Because Property Damage-Tort premium is included with Bodily Injury, the proposed change for this coverage matched that for Bodily Injury. The indication for Property Damage-Tort is for a small decrease. As a result, the proposed increase led to

much higher premiums than indicated. However, the proposed increase compares favourably with the weighted indication for the two coverages combined. As such, the Board accepts the approach used to develop the proposed change for this coverage.

[12] Because All Perils coverage is a combination of Collision and Comprehensive, Intact used an average of the Collision and Comprehensive proposed increases, resulting in a proposed increase for All Perils. Because tying the proposal for All Perils to that for Collision and Comprehensive is an approach taken by other companies for this coverage, the Board accepts its use for this coverage.

[13] When mandatory coverages are combined, the proposed rates are below the indicated level. The higher than indicated change for All Perils results in the change for optional coverage exceeding the indicated level. This result creates a small subsidy, but not one large enough for the Board to take any corrective action. When all coverages are combined, the proposed rates are below the indicated level, resulting in a return on equity of 8.8%, which is below the 10% allowed target.

[14] Board staff recommend the Board approve the proposed rate changes. The Board agrees.

#### **Adoption of CLEAR Table**

[15] To assign rate groups for physical damage coverages and Accident Benefits, Intact uses the 2024 CLEAR (Canada, Collision and DCPD Combined, with extended Vehicle Code (21 years) for Alberta & Atlantic Canada) table. Intact proposed the adoption of the 2026 version of this CLEAR table. Intact off-balanced the impact of the adoption of the table to make the change revenue-neutral. Board staff recommend

the Board approve the proposed adoption of the 2026 CLEAR table and the associated off balancing. The Board agrees.

### **Differential Changes**

[16] Intact proposed changes to the differentials for three of their rating variables. Intact selected two of these variables (Years Licensed and Credit Score) because they are important variables which the company prioritized to review in this filing. For the third variable, Vehicle Age, Intact chose to review this variable after the company observed its competitive position for newer vehicles had greatly improved.

[17] The company conducted a one-way analysis of data from January 2020 through December 2024 to examine the relative loss costs between the various levels of each of the variables being changed. Where the data was not fully credible, Intact used the current relativities as the complement of credibility. Intact off-balanced the impacts of the differential changes through base rates to make them revenue-neutral.

[18] Board staff reviewed the analysis and recommended the Board approve the proposed differential changes and the associated off-balancing of the impact of these changes. The Board agrees.

[19] The following sections describe the rating variables for which Intact proposed change to differentials:

#### Vehicle Age

[20] As noted, Intact observed that it has become very competitive for newer vehicles (i.e., vehicles aged zero to four years). The company observed this change in competitive position after comparing premiums of its competitors. The one-way analysis suggested, for physical damage coverages (DCPD, Collision and Comprehensive), the

differentials for newer vehicles should increase while the differential for older vehicles could decrease. Intact adjusted the differentials to reflect this experience while applying actuarial judgement to maintain the smoothness of the differential curve. For other than physical damage coverages, Intact left the differentials unchanged.

#### Years Licensed

[21] Intact has concerns about its competitiveness for its inexperienced operator segments (i.e., those licensed less than six years). Competitive information shows Intact quotes well below the rest of the market, indicating Intact rates are competitive for these segments. The results of the one-way analysis suggested the current differentials align mostly with the one-way analysis indicated differentials. However, the competitive review of quotes placed during the nine-month period from January to September 2025 suggested Intact needed to increase its rates for these segments.

[22] Not wanting to place all the weight on the competitive position when making its proposal, Intact used a weighted average of the one-way analysis and the competitive analysis. That is, Intact applied a chosen weight to the indicated differentials and the complement of that weight to the average differences (in %) between Intact and the industry's average quote for the various segments when determining its proposal. The weight applied to the one-way analysis helps temper the increase for the targeted segments. Based on this weighted average, Intact proposed increases for zero to six years licensed segments only.

#### Credit Score

[23] In 2020 NSUARB 67, the Board approved Intact's credit-based rating variable. The variable provides a discount for better credit scores for those policies where

the insured provided consent to the company to do a credit check. Intact has modified the variable and its differentials in other matters since the original approval.

[24] Intact applies the variable to several coverages and proposed adding it to one for which it currently does not use the variable. The differentials (and hence the discount level) Intact uses vary by coverage. While the discount (i.e., the differential is no longer 1.00) currently starts at a different credit score for each coverage, Intact proposed to have the discounts that will apply to each coverage start at the same credit score. Intact also used the results of the actuarial analysis to adjust the differentials and the associated discounts.

#### **Introduction of Web Discount**

[25] Intact proposed to introduce a Web Discount to those customers who purchase their automobile insurance through Intact's web channel. Those customers with zero years insured with Intact will receive a 5% discount if they purchase through the web channel. This discount will decrease by 1% each year until it is removed after five years insured with Intact.

[26] The rationale for offering this discount is to reflect the expense savings that arise when the policy is acquired via the web channel and to grow the business written in this manner. Because this discount will only apply to new business, there is no impact to off-balance. Board staff recommends that the Board approve the proposed introduction of the Web Discount. The Board agrees.

#### **Renewal Premium Dislocation Capping Mechanism**

[27] To manage the dislocation experienced by their clients, Intact received approval for its current renewal premium dislocation capping mechanism.

[28] Intact proposed changes to its capping mechanism. Rather than capping increases at 21%, Intact will cap increases at 30%. The 45% cap on increases that apply if there is a new minor conviction in the previous policy term remains unchanged. Intact will also change the cap on renewal premium decreases from 3% to 2%. The 20% cap on decreases for risks licensed for less than 10 years having an improvement in claims/convictions experience at renewal is unchanged.

[29] To use a cap on renewal premium decreases (i.e., a negative cap), the Board requires companies to demonstrate the premium forgone from the cap on renewal increases will exceed the extra premium collected from the cap on renewal decreases. Intact provided the required evidence to confirm it met this requirement. Board staff recommends the Board approve the proposed change to the renewal premium dislocation capping mechanism. The Board agrees.

### **Automobile Insurance Manual Changes**

[30] Board staff reviewed Intact's Automobile Insurance Manual filed with the Board and did not find any instances where the Manual contravened the *Act* and *Regulations*. Intact did not propose any other changes beyond those required to implement the Web Discount. Board staff recommends the Board approve the proposed changes to the Automobile Insurance Manual. The Board agrees.

## **III SUMMARY**

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

[32] The Board finds the proposed rates are just and reasonable, and approves the changes effective June 2, 2026, for new business and July 2, 2026, for renewal business.

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

[34] 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 Intact for private passenger vehicles is December 1, 2027.

[35] The company must file an electronic version of its Automobile Insurance Manual, updated for the changes approved in this decision, within 30 days of the issuance of the order in this matter.

[36] An Order will issue accordingly.

**DATED** at Halifax, Nova Scotia, this 30<sup>th</sup> day of January 2026.



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Darlene Willcott