DECISION **2025 NSRAB 65**
M12284

NOVA SCOTIA REGULATORY AND APPEALS BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

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

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

APPLICANT: **THE DOMINION OF CANADA GENERAL INSURANCE COMPANY**

FINAL SUBMISSIONS: July 16, 2025

DECISION DATE: **August 7, 2025**

DECISION: **Application is approved.**

I INTRODUCTION

[1] The Dominion of Canada General Insurance Company (Dominion) 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 rate changes that vary by coverage and result in an overall, all-coverage combined increase of 8.0%. In addition to changes to rates, the company also asks the Board to approve its adoption of the 2025 Canadian Loss Experience Automobile Rating (CLEAR) tables, changes to its Optima Rating Program and the introduction of two new rating variables, Travelers Insurance Score and Theft Rating.

[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 Dominion's application meets these requirements and approves the company's proposed rates and risk-classification system with the proposed changes noted above.

II ANALYSIS

[3] Dominion applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval* (*Rate Filing Requirements*). Since filing its application, Dominion 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 Dominion. The company reviewed the report and provided Board staff with its comments regarding confidentiality and language surrounding its new credit-based rating variable.

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

- proposed rate level change;
- adoption of 2025 CLEAR Table;
- change to Optima Rating Program;
- proposed new rating variable, Travelers Insurance Score; and
- proposed new rating variable, Theft Rating.

Proposed Rate Level Change

[5] Dominion proposes changes to its current base rates that vary by coverage. The changes result in an overall, all-coverage combined rate level increase of 8.0%. Dominion bases the changes on indications that suggest a significantly higher all-coverage combined increase. However, Dominion chose not to take the full indicated increases, preferring lower rate level increases instead.

[6] Board staff reviewed Dominion's indicated rate level changes and examined all aspects of the proposed changes. The only issue that arose surrounding Dominion's analysis of its rate level needs that warrant further discussion is loss trends. Board staff consider that Dominion satisfactorily addressed all other aspects of the ratemaking procedure in its application and IR responses.

Loss Trends

[7] Dominion analyzed its own experience data and found it aligned with that of the industry. Based on this information, Dominion chose to base its trends on those selected by the Board consulting actuaries, Oliver Wyman, in their report based on data through December 2023 for all coverages except Comprehensive.

[8] For Comprehensive, Dominion observed an increasing loss trend and a steep rise in claims costs starting in the second half of 2022. This rise was coincident with

the rise in inflation for repair costs, rental vehicles and replacement parts. Dominion also noted a steep rise in automobile theft as evidenced by reports from Équité Association. Thefts in Atlantic Canada rose 11% year-over-year as noted in the Équité report for the first half of 2024. The full year 2024 Équité report shows no change in thefts in Atlantic Canada year-over-year, while other provinces showed significant decreases. The full year report also noted an increase in vehicles attempted to be exported at the Port of Halifax that were fraudulently financed. Based on these observations, Dominion selected a higher past and future trend than the Oliver Wyman selections, of 6.5% and 7.3%, respectively.

[9] Had Dominion used the Oliver Wyman trends for Comprehensive, the indicated increases for Comprehensive and overall would be slightly lower than the Dominion indications.

[10] Dominion's proposed trends are only slightly higher overall than those used by Oliver Wyman. In the Board's previous decision, [2024 NSUARB 210], it allowed Dominion to use its own trends and selections for Comprehensive. For these reasons, Board staff recommend the Board accept the use of the Dominion selected loss trends. The Board agrees.

Comparison of Proposed Rates to Indications

[11] Based on the recommendations above, Board staff recommend that the Board accept the Dominion indications as the appropriate target to assess the reasonableness of the Dominion proposal. The Board agrees.

[12] Dominion proposes changes for three coverages only - Bodily Injury, Collision and Comprehensive. The company explained that these coverages

demonstrated the most need for adjustments based on current loss trends and claims experience.

[13] For these coverages, the proposed changes are in the direction of the indications, but the size of the changes is smaller. In all cases, Dominion proposes rates that are lower than indicated. The proposed overall increase of 8.0% is less than half of the indicated increase.

[14] Given the proposed rates are for a smaller increase than indicated, the proposed return on equity (+0.21%) is well below the target of 10%, but it is up from the negative value observed in the last application.

[15] Board staff recommend the Board approve the proposed rate changes. The Board agrees. The Board notes that it may require the company to take larger increases in a future filing if the indicated need remains large.

Adoption of 2025 CLEAR Table

[16] Dominion currently uses the 2024 CLEAR table to assign rate groups for accident benefits and physical damage coverages. The company uses the CLEAR (AB Alberta & Atlantics) - Collison, DCPD and Comprehensive Separated version of the table.

[17] Dominion proposes adoption of the 2025 version of this table, which the Board approved for use late last year. Dominion included the impact of the change of table with the impacts of the other proposed changes (discussed later) to make the combination revenue-neutral at the coverage level.

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

Change to Optima Rating Program

[19] In 2017, the Board approved Dominion's initial use of its Optima Rating Program. The Nova Scotia version was based upon a similar program that Dominion used in Ontario, which reflects the claims costs of the household based on all drivers in that household, using the same driver attributes and vehicle information that is currently used for rating on a vehicle-by-vehicle basis.

[20] Dominion proposes a change to its Optima program, specifically to the differentials for the Non-Payment type in the Prior Lapse table. This element of Optima captures the impact of prior lapses due to non-payment of premium that occurred in the past three years, either with Dominion or the customer's prior carrier. In Nova Scotia, a lapse of less than 24 months cannot be used for rating. In Ontario, a shorter lapse can be used.

[21] Dominion proposes to align the Nova Scotia factor with that used in Ontario. Despite the different treatments of lapses noted, the greater experience base in Ontario provides a more credible amount of data to base this factor.

[22] Dominion observed that loss ratios were higher for these risks compared to those without non-payment lapses. Dominion multiplied this factor by the current Ontario factor to produce a factor that should bring the loss ratios for both risks in line. Dominion proposes adopting this differential in Nova Scotia. The result is an increase from the current differential Dominion uses in its local program.

[23] Dominion notes that the change will impact a very small percentage of the many policies Dominion has. The impact on the whole portfolio, therefore, is negligible. Despite the few policies impacted, Dominion did include the impact of this change when

determining the off-balancing adjustments intended to make all the proposed changes revenue neutral.

[24] Board staff recommend the Board approve the proposed changes to the differentials for the Non-Payment type in the Prior Lapse table. The Board agrees.

Proposed New Rating Variable, Travelers Insurance Score

[25] Dominion proposes the introduction of a new rating variable, Travelers Insurance Score, which relies on a client's credit information to determine eligibility for a discount.

[26] Dominion observed several competitors introducing credit information into their rating algorithms. By introducing this credit-based rating variable, Dominion can better match its premium to the risk posed. Dominion can also avoid a competitive disadvantage, where those people with lower credit select to insure with Dominion, while the better credit risks, who should have lower claims experience, might seek out insurers using credit information to provide discounts. If Dominion attracted more of the higher risks, its experience would deteriorate.

[27] Dominion 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 consent to be insured by Dominion. Clients who do not consent receive Dominion's undiscounted rates. Clients who consent may benefit from a potential discount if their credit information is good enough to warrant one.

[28] Dominion will require consent from a named insured on a policy to obtain a credit score. If there is more than one named insured, the score for any of them may be

used. If more than one consent and scores are available, Dominion will use the best score when rating the policy.

[29] Dominion uses its credit-based score to rate property insurance in Nova Scotia and in other jurisdictions. Despite receiving consent in relation to these policies in Nova Scotia, Dominion will require an automobile insurance specific consent before seeking credit information for use in rating the automobile policy. That is, it will not use any previous property insurance consent for auto insurance purposes.

[30] Dominion will follow the Insurance Bureau of Canada (IBC) Code of Conduct for Insurer's Use of Credit Information (the Code). The Board notes that the choice to follow this Code is voluntary, but it expects companies to follow the Code. In response to IRs, the company identified how its intended actions comply.

[31] A client who expresses concern about the score being inaccurate must work with the credit supplier to resolve any issues. If this effort results in a change in credit score that changes the discount level, Dominion will make a mid-term change. Dominion noted the client may request a credit refresh at any time and if that refresh results in a revised discount, the company will process the change as a mid-term change and will not wait until renewal to reflect the change.

[32] If a client provides consent but Dominion cannot find a credit score, for example, if there is no record for the client, no score is available because there is not enough credit history to generate one, or there is an error associated with the credit score provider, resulting in no score or an unknown score, Dominion will use its undiscounted rates.

[33] Once a credit score is obtained, Dominion maps it to a band of credit scores based on a proprietary scoring model to predict loss cost (or pure premium) impact observed for various insurance score bands. The client's score is mapped to these bands, and the client receives the associated discount, if any, associated with that band.

[34] The *Regulations* do not prohibit the use of credit information as a risk-classification factor. The Board previously determined that credit information can be used as a rating variable in Nova Scotia and confirmed this with the Superintendent of Insurance.

[35] Based on Board staff's review of the details of Dominion's credit-based rating system, Board staff recommend the Board approve the proposed introduction of the credit-based rating variable, Travelers Insurance Score, including the proposed differentials, and the proposed changes to base rates to off-balance the expected impact of the introduction of the discount to make it revenue-neutral. The Board agrees.

Proposed New Rating Variable, Theft Rating

[36] Dominion proposes the introduction of another new rating variable, Theft Rating, designed to capture the additional risk posed by vehicles that are subject to being stolen more often. The company notes that theft is one of the largest problems in Ontario (e.g., theft loss claims have tripled there since 2020). While Atlantic provinces have not seen the same level of theft, it appears to be increasing. The IBC noted a 223% increase in theft claims costs from the first half of 2014 to the first half of 2024 in Atlantic Canada.

[37] To address the theft concern in Ontario, Dominion introduced its Theft Rating table that increases the premium for high theft frequency vehicles. The company proposes to introduce a similar rating variable or table in its Nova Scotia algorithm.

[38] Due to limited claims experience in Nova Scotia, Dominion leveraged its Ontario data to identify high theft vehicles. Dominion used internal company data for 2022 to 2024, supplemented with industry data from the Équité Association, of which Dominion is an active member. Dominion categorized the vehicles into five tiers. The first-tier risks are normal theft frequency risks, while the other tiers represent higher frequency of theft with the frequency increasing as the tier number increases. The frequency range for each tier is based on the frequency range used in Ontario.

[39] Dominion showed that the percentage of Comprehensive claims' costs that are theft claims is much higher in Ontario than Nova Scotia. However, both provinces are showing an upward trend in this percentage.

[40] To recognize the difference, Dominion will use lower factors than it does in Ontario. Dominion determined the ratio of the percentage of Comprehensive claims costs that theft represents in Nova Scotia to the percentage of those costs that theft represents in Ontario. The Nova Scotia factors equal the weighted average of the Ontario factors and no surcharge (i.e., differential of 1.000) where the weights are the percentage determined above for the Ontario factors and 1 less that percentage for no surcharge.

[41] In Ontario, Dominion separates the four high-theft vehicle tiers into 16 sub-tiers. This split is based on the presence of an anti-theft device and whether the policy is new business or a renewal. For Nova Scotia, Dominion will include this tier structure but will not make any distinction in the factors used with each of the four high theft vehicle tiers. Dominion chose not to reflect any difference between new business and renewal business.

[42] In Ontario, Dominion provides a discount when a customer has a TAG theft recovery system installed. Because this theft recovery system is not yet available in Nova Scotia, there is no need for an anti-theft device difference in the surcharge tier structure. The company notes that should TAG become available, it will consider adding the discount. The Board notes that change would have to be made in a future filing with proper evidence to support the differences.

[43] Dominion will off-balance the impact of the introduction of this rating variable as part of the off-balancing of the changes noted.

[44] Board staff recommend the Board approve the introduction of the Theft Rating table and the associated surcharge. The Board agrees. To be clear, this approval only applies to the factors presented and the rating table structure. The Board makes no determination on the appropriateness of the use of new business and renewal or anti-theft device presence differentials as no evidence has been filed in this application on those factors.

[45] Dominion will periodically update the high theft vehicle table to reflect emerging automobile theft trends. As outlined in the Board's Information Bulletin NSRAB-25-01, any changes to the table represent a risk-classification system change, which, under s.155(2)(c) of the *Act,* requires Board approval. The Board created a simplified process for companies to seek approval for changes to their high theft, or most stolen vehicle lists or tables. This process will address the need for approval of the lists before use on an expedited basis.

III SUMMARY

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

[47] The Board finds the proposed rates are just and reasonable, and approves the changes effective November 18, 2025, for new business and December 21, 2025, for renewal business.

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

[49] 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 Dominion for private passenger vehicles is May 1, 2027.

[50] Board staff reviewed Dominion's Automobile Insurance Manual filed with the Board and the proposed changes 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, within 30 days of the issuance of the order in this matter.

[51] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 7th day of August, 2025.

Marc L. Dunning