DECISION | **2025 NSUARB 55**
M12075

DECISION

2025 NSUARB 55
M12075

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

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

BEFORE: Jennifer L. Nicholson, CPA, CA, Member

APPLICANT: **CAA INSURANCE COMPANY**

FINAL SUBMISSIONS: February 7, 2025

DECISION DATE: **March 24, 2025**

DECISION: **Application is approved.**

I INTRODUCTION

[1] CAA Insurance Company (CAA) applied to the Nova Scotia Utility and Review 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 increase of 9.9%. CAA based this proposal on indications for a larger overall all-coverages combined increase. CAA proposed the adoption of the 2025 Canadian Loss Experience Automobile Rating (CLEAR) Table to assign rate groups for physical damage coverages. CAA will modify its underwriting and rating rules and will also rename its Hybrid Discount.

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

II ANALYSIS

[3] CAA applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval* (*Rate Filing Requirements*). Since the filing of this application, CAA received and responded to Information Requests (IRs) from the Board. 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 CAA. The company reviewed the report and informed Board staff that it had no further comments beyond identifying a typographical error.

[4] Board staff examined all aspects of the ratemaking procedure to make the recommendations in the Staff Report. Based on Board staff's review, there are no issues surrounding the CAA analysis of its rate level that warrant more discussion. Board staff consider that CAA satisfactorily addressed all aspects of the ratemaking procedure in its application and IR responses.

Staff Indications

[5] With no assumptions requiring changes, Board staff recommends the Board use the CAA indications as the appropriate target to assess the reasonableness of the company's proposal. The Board agrees.

Comparison of Proposed Rates to Indications

[6] The company proposed increases for Bodily Injury, Collision and Comprehensive that are below indicated levels. The overall proposed increase of 9.9% was well below the indicated change. CAA proposed changes smaller than indicated to maintain rate stability, avoid fluctuation, and reduce the dislocation impact to customers. The company acknowledged this could set up a potential for larger increases in the future, but the company expects to move gradually towards meeting its indicated rate level needs.

[7] Because the proposal results in overall rates below the indicated level, the proposed return on equity (ROE) will be below the assumed 10%, which is the bottom end of the Board's range of reasonability. CAA estimates the proposed rates produce an ROE of 2.48%.

[8] Board staff recommends the Board approve the proposed base rate changes. The Board agrees.

Other Proposed Changes

Territorial Base Rates

[9] CAA analyzed its territorial base rates to determine indicated changes. The company reviewed data from the three years beginning with the second half of 2021 through the first half of 2024. CAA proposed changes that followed the indications but capped the magnitude of the proposed change to limit premium dislocation. The cap varied by coverage.

[10] The proposed changes to the territorial base rates produced an overall increase of 9.7%. The impacts of the CLEAR Table, discussed next, were off balanced to the base rates to produce the overall impact of the proposed rate changes of 9.9%.

[11] Board staff recommends the Board approve the proposed changes to territorial base rates. The Board agrees.

Adoption of the 2025 CLEAR Table

[12] To assign rate groups for physical damage coverages, CAA currently uses the 2024 CLEAR (Canada, Collision and Direct Compensation Property Damage Combined for Alberta & Atlantic Canada) Table. CAA will adopt the 2025 version of this table, which the Board approved for use in Nova Scotia late last year. CAA off-balanced the small impact of the table change to make it revenue-neutral. As noted, this brought the base rate change impact from 9.7% to 9.9%.

[13] Board staff recommends the Board approve the proposed adoption of the 2025 CLEAR Table. The Board agrees.

Renaming the Hybrid Discount

[14] CAA has a Hybrid Discount, which provides a 5% discount for Electric and Hybrid Vehicles. CAA will rename the discount to CAA Hybrid and Electric Vehicle Discount. The company is not changing any aspects of the discount which already applies to electric vehicles but is changing the name to better capture its true nature.

[15] Board staff recommends the Board approve the name change for this discount. The Board agrees.

Underwriting and Rating Rule Changes

[16] CAA updated its underwriting and rating rules to address a change in its willingness to insure higher valued vehicles. Currently, the company will decline vehicles valued at more than $100,000. The changes will increase this limit to $150,000 and will impose a minimum deductible for physical damage coverages of $2,500 for vehicles valued between $100,000 and $150,000.

[17] CAA will introduce the minimum deductible to mitigate risks for the new acceptable vehicle values over $100,000. CAA notes this change will align it with the industry regarding minimum deductibles for vehicle values above the $100,000 level.

[18] CAA will also revise its acceptability rule to clarify that rebuilt vehicles are acceptable when the vehicle has gone through and passed the motor vehicle safety inspection and the requirements to have the status of vehicle changed to “Rebuilt.”

[19] The proposed changes do not violate the *Insurance Act* or its *Regulations*. Board staff recommends the Board approve the proposed changes to underwriting and rating rules. The Board agrees.

III SUMMARY

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

[21] The Board finds the proposed rates are just and reasonable, and approves the changes effective July 1, 2025, for new business and August 15, 2025, for renewal business.

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

[23] 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 CAA for private passenger vehicles is January 1, 2027.

[24] Board staff reviewed CAA's Automobile Insurance Manual filed with the Board and did not find any instances where the Manual contravened the *Act* and *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.

[25] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 24th day of March, 2025.

Jennifer L. Nicholson