DECISION **2025 NSUARB 24**
M11997

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF THE INSURANCE ACT

- and -

IN THE MATTER OF AN APPLICATION by **THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY** for approval to change its rates and risk-classification system for commercial vehicles

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

APPLICANT: **THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY**

FINAL SUBMISSIONS: December 18, 2024

DECISION DATE: **February 3, 2025**

DECISION: **Application is approved.**

I INTRODUCTION

[1] The Portage la Prairie Mutual Insurance Company applied to the Nova Scotia Utility and Review Board to change its rates and risk-classification system for commercial vehicles. The company proposed rate changes that vary by coverage and result in an overall increase of 5.0%. Portage based these changes on indications that suggest a larger increase should be taken.

[2] Portage also proposed changes to its rate group tables. The company will also make a minor change to its underwriting or rating rules for clarification purposes with no impact on rating.

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

II ANALYSIS

[4] Portage applied under the Board's *Rate Filing Requirements for Automobile Insurance – Section 155G Prior Approval* (*Rate Filing Requirements*). Since the filing of this application, Portage 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 Portage. The company reviewed the report and informed Board staff that apart from a typographical error correction, it had no additional comments to make.

[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 Portage's loss trends selections and profit provision, specifically return on equity. All other issues raised in the IR process were successfully resolved.

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

- Loss trends;
- Profit provision;
- Proposed rate changes;
- Territorial base rates;
- Commercial Rate Group Table changes; and
- Underwriting rule change.

Loss Trends

[7] Instead of using selected loss trends based on data through December 2023 compiled by Board Consulting Actuaries, Oliver Wyman, Portage conducted its own trend analysis of industry data, also through December 2023, and made its own selections.

[8] The primary differences between the trends selections result from differences in the time periods selected, the models used, actuarial judgments about the experience period to consider, and the interpretation of the results. As well, Portage handled excess inflation differently than Oliver Wyman, who suggests including severity shocks coincident with the observed rise in inflation for certain coverages.

[9] At the request of Board Staff, Portage provided the indications using the Oliver Wyman selections for loss trends including the severity shocks. The Oliver Wyman trends produced a higher indicated rate level increase, compared to the Portage trends. The indicated increases for optional coverages were similar, but the Oliver Wyman-based

indicated increase for mandatory coverages was higher, as it was driven by the positive loss trend for Bodily Injury selected by Oliver Wyman versus the 0.0% trend selected by Portage.

[10] The Board allowed Portage to use its loss trend selections in its previous application. Board staff saw no evidence in this application to suggest the Board should alter that decision. Board staff recommends the Board allow Portage to use its selections for loss trends for all coverages, in the circumstances of this application only. The Board agrees.

Profit Provision

[11] In the previous application, Portage used an 11% ROE instead of the 10% that the Board required other companies to use. In that application, the Board viewed the information provided and determined that Portage differed from the industry enough to warrant the use of the higher return. In this application, Portage continued the use of the 11% return.

[12] After reviewing the financial information provided, Board staff saw no evidence or reason for the Board to modify its previous decision to allow Portage to use 11%. Board staff recommends the Board allow Portage to use the 11% ROE, in the circumstances of this application. The Board agrees.

Proposed Rates Changes

[13] Based upon the Board staff recommendations, which the Board accepted, the Board will use the Portage indications as the appropriate target against which to assess the reasonableness of the proposed rate changes.

[14] Where Portage proposed changes, the proposal was in the direction of the indications, but the size of the change is smaller. Except for Collision, Accident Benefits, Uninsured Automobile, Family Protection Endorsement (SEF#44) and Property Damage-Tort, the proposal results in smaller than indicated rates. For all these coverages, Portage chose no change despite the indications suggesting the company should take small decreases.

[15] The overall proposed increase of 5.0% is well below the indicated increase. The proposal for a lower-than-indicated increase produces a ROE of 0.8%, which is well below the 11% target.

[16] Portage proposed average rate level changes that are lower than indicated to achieve a balance between becoming rate adequate for the coverages that are inadequately priced while managing dislocation and hoping to retain commercial vehicle clients. Given the volume of commercial vehicles is small relative to private passenger vehicles, Portage has dedicated its limited resources to address private passenger vehicles first. Eventually, the company will place a sharper focus on commercial vehicles when resources become available.

[17] Board staff recommends the Board approve the proposed change to base rates. The Board agrees.

Other Proposed Changes

Territory Differentials

[18] Portage uses territory as a rating variable for these vehicles. Portage undertook an analysis of its territorial relativities and determined credibility weighted indicated changes. The analysis looked at experience from 2019 through 2023. Portage

restated its pure premiums to remove the estimated impact of its rating factors other than territory. In this manner, the analysis would focus solely on the differences in territory.

[19] Based on these indications, Portage proposed new differentials with the change for each differential capped at +/-10% to mitigate dislocation, except for Uninsured Automobile and SEF#44 where Portage capped the change at 0%.

[20] Portage supported its proposed territorial differentials or relativities. Board staff recommends the Board approve the proposed base rates by territory that result from the application of the new differentials. The Board agrees.

Commercial Rate Group Table Changes

[21] Portage proposed changes to its Commercial Vehicles Rate Group Tables. For Table 2, which the company uses for all vehicle types other than Class 33. The change updates the table to reflect newer vehicles. Rather than showing “2021 and Newer vehicles” as a single column, Portage will show individual year 2021, and 2022 & 2023 combined as two columns with a final “2024 & Newer Column.” To accommodate the change, Portage removed columns for model years 2010, 2011 and 2012. Portage will include these years in the “Prior” column. These changes will either leave the rate group (and premiums) unchanged or will reduce the rate group, attracting a lower differential that results in lower premiums.

[22] Class 33 represents light farm/fishermen trucks. For this class, Portage uses rate group Table 1. The company proposed similar changes to the columns in this table to update for newer years. Portage revised its Table 1 to add “2024 & Newer”, “2023-2022”, and “2021-2019” columns, and some other minor changes. The changes tend to

keep the rate group the same or lower it. Lower rate groups provide lower differentials, which produce lower premiums.

[23] The Portage changes are like those made by other carriers on an annual basis to update for new model years by shifting the model years over by one. The proposed tables, from this perspective, are reasonable.

[24] The overall impact of the table changes was a decrease of 3.35%. Portage off-balanced this impact through base rates to make it revenue-neutral by coverage.

[25] Board staff recommends the Board approve the proposed changes to commercial rate group Table 1 and Table 2. The Board agrees.

Underwriting Rule Change

[26] Portage proposed one change to clarify its underwriting rule regarding commercial trailers. The change is a clarification of current procedures so that the brokers understand how Portage calculates the premium. As the change clarifies current practice, it has no impact on rates. On the recommendation of Board staff, the Board approves this rule change.

[27] Apart from those revisions required to reflect the adoption of the new rate group tables, this rule change is the only change made to Portage's Automobile Insurance Manual. Through a review of the manual on file and the proposed manual pages, Staff found no areas where the company appears to be in violation of the *Regulations*.

[28] Board staff recommends the Board require Portage to provide a revised manual within 30 days of its Decision. The Board agrees.

III SUMMARY

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

[30] The Board finds the proposed rates are just and reasonable, and approves the changes effective September 1, 2025, for new business and renewal business.

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

[32] 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 Portage for commercial vehicles is December 1, 2027.

[33] 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.

[34] An order will issue accordingly.

DATED at Halifax, Nova Scotia, this 3rd day of February, 2025.

Jennifer L. Nicholson