



February 3, 2023

Submitted via email: [autoreview@novascotia.ca](mailto:autoreview@novascotia.ca)

Auto Insurance Review  
Office of the Superintendent of Insurance  
Provincial Building  
1723 Hollis Street  
PO Box 187  
Halifax, Nova Scotia B3J 2N3

Dear Mr. McCarron,

**Re: Auto Insurance Review**

**Introduction**

The Canadian Association of Direct Relationship Insurers (CADRI) is the voice of insurance enterprises that offer automobile, home, and commercial insurance directly to Canadians. We advocate for flexible and evolving regulatory and legislative frameworks governing automobile, property, and commercial insurance to enable product and service innovation so that Canadians can easily choose insurance that serves their needs through the delivery channels of their choice.

CADRI appreciates that Nova Scotia is undertaking a review of the auto insurance product and that the province does so with regular frequency. The Insurance Bureau of Canada (IBC) has provided a direct submission with responses to the consultation questions. CADRI will not duplicate these efforts.

CADRI agrees with IBC that the auto product in Nova Scotia requires more significant reforms than the changes outlined in *Proposed Changes to the Nova Scotia Auto Insurance Product: Discussion Paper (Discussion Paper)* and encourages the province to engage with stakeholders to consider the options for more substantive change.

**Other Considerations**

CADRI will focus our comments on the Other Considerations section of the *Discussion Paper* and specifically Section 3, General Comments where you ask for other ideas that should be considered including,

## CADRI comments on Nova Scotia Auto Insurance Review

*“...suggestions for further changes to the auto insurance product that could be explored to address rising premiums pressures, opportunities to reduce regulatory burden or encourage product innovation on the part of auto insurers...”<sup>1</sup>*

CADRI encourages Nova Scotia to reform their rate regulation and focus on the following guiding principles:

- Affordability
- Accessibility
- Competition
- Innovation, and
- Efficient, cost-effective, and timely rate change process.

Cost-effective regulation ensures the best outcomes for customers while incentivizing innovation and an efficient use of resources. The *Discussion Paper* states,

*“...the recent premium spike in Nova Scotia is viewed by the OSI as a pricing correction to address a prolonged period during which the growth of loss costs experienced by auto insurance providers exceeded the rate at which insurers chose to file for a raise in premiums charged to consumers.”<sup>2</sup>*

CADRI advocates for an efficient rate filing process that allows premiums to be adjusted as costs change. This would avoid situations like the one Nova Scotia is currently experiencing where rate levels may change dramatically. This issue was highlighted in the C.D. Howe Institute report *Time for a Tune-up*.

*“As Alberta found, when governments intervene to contain costs, they decouple premiums from underlying costs. Insurers react by reducing availability. When governments ease restrictions to improve availability, premiums rise unless there is some fundamental change in the cost of claims. Significantly, governments stifle innovation.”<sup>3</sup>*

Not only did Alberta experience availability issues when the government constrained premiums, they also experienced dramatic premium increases after the constraints were removed as insurers struggled to get back to profitability. The constraints in Alberta included a political freeze on rate changes which has not been the case in Nova Scotia but even prior to the rate freeze the complex filing process in Alberta also acted as a constraint and their recent rate reform has made considerable improvements to the process.

The province of Ontario is also considering rate reform and commissioned Pinnacle Actuarial Resources (Pinnacle) to review territory rating regulation. In this report they comment that:

*“Removing the restrictions on territory rating would likely lead to more evidence-based rates and would also positively impact a company’s likelihood*

---

<sup>1</sup> [auto-insurance-discussion-paper-en.pdf \(novascotia.ca\)](#), page 15

<sup>2</sup> [auto-insurance-discussion-paper-en.pdf \(novascotia.ca\)](#), page 4

<sup>3</sup> [Commentary\\_619.pdf \(cdhowe.org\)](#), page 16

## CADRI comments on Nova Scotia Auto Insurance Review

*of innovation, which would result in increased customer choice and competition.”<sup>4</sup>*

As the Pinnacle report demonstrates, rating variable restrictions impede innovation, competition, and impede the ability to provide evidence-based rates.

### Conclusion

Specifically, CADRI recommends the following rate reforms:

- Change the expedited filing process to a *file and use* process.
- Change the timeline for a mandatory filing for private passenger vehicle (PPV) from two to three years.
- Remove the limit on the number of filings between mandatory filings.
- Allow insurers to charge a premium below the approved rate with a filing.
- Allow CLEAR table changes to be implemented with a *use and file* process.
- Remove the requirement for a miscellaneous vehicle filing every three years.
- Remove the restriction that prevents insurers from using claims more than six years old on a driving record.
- Remove the prohibition that prevents insurers from using age as a rating risk classification factor.
- Remove the prohibition that prevents insurers from using vehicle age as an underwriting factor.
- Remove the limit on the number of territories allowed and allow non-contingent territories.

All these recommendations present “*opportunities to reduce regulatory burden or encourage product innovation on the part of auto insurers*”<sup>5</sup>.

CADRI is please to have the opportunity to comment on the Auto Insurance Product *Discussion Paper*.

We welcome further discussion on the issues so please do not hesitate to contact us at your convenience.

Yours sincerely,



Geoffrey Beechey  
Chair and CEO

CADRI Board of Directors  
CADRI Atlantic Committee  
CADRI Risk Classification Task Force  
Amanda Dean, VP, Atlantic, IBC

---

<sup>4</sup> [Territory Rating Review Report \(fsrao.ca\)](#), page 2

<sup>5</sup> [auto-insurance-discussion-paper-en.pdf \(novascotia.ca\)](#), page 15