

Information Bulletin 2020-002

To: All Automobile Insurers Transacting Business in New Brunswick
Subject: Guidance regarding the effect of COVID-19
Date: July 20, 2020

The New Brunswick Insurance Board (NBIB) recognizes that COVID-19 introduces uncertainty in projections of future insurance claim and expense costs. It is understood that in deriving indicated average rate level changes the actuary should select appropriate methods, techniques, and assumptions recognizing the circumstances and that a variety of actuarial methods may be appropriate. While in general, Major RFG-1 [Filing Guidelines](#) are deemed sufficiently flexible to encompass each situation, this bulletin is hereby setting expectations regarding filing elements that may be affected by COVID-19.

1. NBIB expects that insurers will file rate applications following the requirements relating to the use of data as stated in:

Section 4.a. Overall Description of the Ratemaking Methodology and Summary

- iii. The filing must include the most recent data that is available. Should the filing rely on industry experience, the Board requires any filing received after industry data is released to include the most recent industry data.

Section 4.b.2. Loss Trend

- ii. Loss trends should be based on a review of the most recent available New Brunswick industry-wide experience for each class of insurance and coverage to the extent possible. To the extent credible, loss trends based on the insurer's most recent experience may also be useful to reflect the dynamics of the insurer's business.

Section 4.j. Summary Rate Level Indications

- ii. The indicated rate change should be based on at least three consecutive years of the most recent available experience. An appropriate weight should be applied to each year based on actuarial judgement. Should these weights be different from those used in the insurer's prior filing, the change must be disclosed, explained, and supported.

2. NBIB expects that insurers will document considerations and rationale supporting the selected assumptions and adjustments in the relation to the effect of COVID-19. Among others:

- As required in Section 4.b.1 – Projection of Ultimate Losses, all judgments associated with the projection of losses to ultimate should be fully disclosed and supported in detail.
- As required in Section 4.b.2 – Loss Trend, all judgments associated with the process, determination and selection of past trend and future trends should be fully disclosed and supported in detail.
- As required in Section 4.b.5 – Other Adjustments, any other adjustments to the loss (or count) data should be disclosed, documented and supported. As a result, it is expected that all judgments associated with any other adjustments to ensure that the projected insurance costs reflect post-COVID environment should be fully disclosed and supported in detail.
- Any relief measures, such as but not limited to, premium holiday or rebate should be described. The description should include the effective window of such measures, as well as whether the relief measures were treated as premium or expenses. In the premium option, the description should also include commentary about the measures' effects on earned premiums, the calculation of the on-level factors and the premium trends in Section 4.e.2 – Premium Trend. In the expense option, the description should also include commentary about adjustments to the projected expense ratios in Section 4.f – Other Expenses.
- All judgments associated with the determination and selection of differentials should be fully disclosed and supported in detail in Section 4.k.1 – Indicated Territorial Differentials and in Section 4.l.1 – Indicated Classification and Other Differentials.

Please contact the Board if you have any questions or require further clarification.

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