Addendum to Decision

An Amendment was issued on September 1, 2023 to effective dates; the amendments have been made to the text below.

New Brunswick Insurance Board

DECISION

IN THE MATTER OF:

a rate revision application for the Facility Association

With respect to automobile insurance rates for

Private Passenger Vehicles

Hearing Date: July 20, 2023

PANEL:	Ms. Marie-Claude Doucet, LL.B.	Chair
	Ms. Carol Dixon, CPA	Member
	Ms. Rachel Arseneau-Ferguson	Member
Applicant:	**Facility Association**	Matthew Hayes, LL.B., K.C.
Intervenors:	The Office of the Attorney General	Mr. Christopher Whibbs, LL.B. Jason Caissie, LL.B.
	The Office of the Consumer Advocate for Insurance	Ms. Michèle Pelletier, LL.B., K.C.
Decision Rendered	August 31, 2023	

Addendum to Decision

Paragraphs [10] and [67] Effective date changes from December 1, 2023 for both new business and renewals to: **January 1, 2024 for new business and for renewals.**

Summary

[1] Facility Association (the "Applicant" or "FA") filed a Rate Revision Application to (the "Filing" or the "Application") with respect to automobile insurance rates for Private Passenger Vehicles ("PPV") in New Brunswick. FA presented its filing to the New Brunswick Insurance Board (the "Board" or "NBIB") based on an overall rate change indication of +1.80% and proposed an overall average rate increase of +1.80%.

[2] Pursuant to subsection 267.5(1) of the *Insurance Act,* R.S.N.B., 1973 c. I-12 (the "*Act*"), the Board convened a Panel of the Board (the "Panel") to conduct a Written Hearing (the "Hearing") on July 19, 2023, in Saint John, New Brunswick.

[3] In compliance with subsection 19.71(3) of the *Act,* the Board provided to the Office of the Attorney General ("OAG"), all documents relevant to the Hearing. This documentation was also provided to the Office of the Consumer Advocate for Insurance ("CAI").

[4] Both the OAG and the CAI intervened in this Hearing; the OAG questioned the Applicant by way of written interrogatories, and submitted an expert report and a final written submission with the assistance of actuaries, Oliver Wyman (OW), while the CAI filed a written submission.

[5] Following deliberations, the Panel requested that the Applicant provide amended indications and impacts resulting from the following adjustments to assumptions:

1. *In the determination of the Return on Investment (RoI), modify the rolling average of the Government of Canada bonds yields as at June 30, 2022 from Bank of Canada to rely on the rolling 3-month average, while keeping all the other components unchanged.*

2. *In the determination of the RoI, modify the data source for the corporate bond yield to rely on Canadian Institute of Actuaries (CIA) Report on Canadian Economic Statistics 1924-2021: Final Release, Table 3A (issued in May 2022)*

[6] The Panel also requested that the Applicant revises and confirms the proposed rate changes by coverage as well as overall, taking into consideration the results from the revised indication.

[7] The Applicant responded to the request on July 27, 2023, providing the Board with the additional information and supporting exhibits ("Revised Indications"). The required changes, as set out in Paragraph 5, result in a decrease to the Applicant's overall rate change indication from 1.8% to -0.5%, taking into account a revised effective date. The Applicant revised the proposed average rate level change to 0%, notwithstanding the negative rate change indication. The basis for this was:

> *We recognize that overall indication is a small negative (-0.5%), however we note that annual net trend is positive and wishes (sic) to avoid taking a small rate decrease in one year and a rate increase in subsequent year to maintain rate stability. Thus, if the Board wishes to adopt this alternate indication, we would propose no change based on this alternative indication scenario.*
>
> *Finally, while we have provided alternate indications as requested, we respectfully believe our original filing indications are reasonable and fair estimations of our rate needs for FA's book of business, and helps advance FA's goal toward minimizing our market share in the industry.*

[8] The Panel, after examining all of the evidence and submissions made by the parties, including the Applicant's response to the Panel's request for amended indications received on July 27, 2023, determines that the indications supporting the proposed overall average rate change must be modified. The Applicant is ordered to incorporate changes to the Filing as per the request for assumption adjustments sent to the Applicant on July 21, 2023.

[9] The Panel finds that FA's revised proposed average rate change of 0%, as proposed in its Revised Indications document of July 27, 2023, is not just and reasonable in these circumstances and FA is ordered to amend its Filing and adopt a -0,5% average rate change in accordance with its revised indications as per above.

[10] The approved rates will be effective January 1, 2024, for new and renewal business.

Exhibits

[11] As part of the Hearing process, the Panel accepted the following Exhibits as part of the Record of Hearing:

EXHIBIT	DESCRIPTION	DATE
1	Original Private Passenger Rate Filing	November 15, 2022
2	Round 1 Questions from NBIB	November 24, 2022
3	Round 1 Response to NBIB and Amendment	November 30, 2022
4	Round 1 Questions from KPMG	December 23, 2022
	Extension given to end business day to respond to Round 1 Questions from KPMG	January 10, 2023
5	Round 1 Response to KPMG	January 10, 2023
6	Round 2 Questions from KPMG	January 24, 2023
7	Round 2 Response to KPMG	January 27, 2023
8	KPMG Actuarial Review Summary	February 18, 2023
9	Round 1 OAG's IRs to FA	May 5, 2023
10	Round 1 Response to OAG's IRs by FA	May 12, 2023
11	2nd Round of IR's to FA	May 19, 2023
12	Responses to 2nd Round of OAG's IRs by FA	May 29, 2023
13	OAG Intervenor Expert Report	June 12, 2023
14	Written IRs from FA to OAG	June 20, 2023
15	Response from OAG to FA IRs	June 23, 2023
16	Final Written Submission from CAI	June 29, 2023
17	Final Written Submission from OAG	July 4, 2023
18	Final Written Submission from FA	July 4, 2023
19	Request for Revised Indications from the Board	July 20, 2023
20	Response to Request for Revisions	July 27, 2023

1. Introduction

[12] The Board is mandated by the Legislature with the general supervision of automobile insurance rates in the Province of New Brunswick. In order to fulfill that mandate, the Board exercises the powers prescribed by the *Act*. One key responsibility for the Board is to ensure that rates charged, or proposed to be charged, are just and reasonable. Under the *Act*, the Facility Association must file with the Board the rates it proposes to charge and request approval of a change in those rates; the Board may investigate, and hold a hearing, to ensure the rates are just and reasonable.

2. Procedural History

[13] The Applicant filed this Application for the Private Passenger Vehicle category on November 15, 2022. The original overall rate level change indication of the Filing was +1.80% and the Applicant sought an overall average rate increase of + 1.80%.

[14] Following rounds of questions from the Board staff and the Board's consulting actuaries (KPMG), the Board decided it was appropriate to investigate these rates through a Hearing. The Board issued a Notice of Hearing on April 4, 2023 and convened a Panel of the Board to conduct a Written Hearing to consider the Application.

[15] Prior to the Hearing, in addition to the Filing, additional information and clarifications were provided; the Board staff and the board's consulting actuaries (KPMG) posed a number of questions to the Applicant, and the OAG submitted two sets of interrogatories to the Applicant. The Applicant responded to all questions posed and the answers form part of the Record.

[16] The OAG's Intervenor Expert Report, prepared by OW on behalf of the OAG, was delivered on June 12, 2023. FA requested, and was granted, the opportunity to deliver interrogatories to the OAG's expert and these responses, too, form part of the Record.

[17] Between June 29 and July 4, 2023, pre-hearing final written submissions were provided by the Applicant, the OAG, and the CAI to the Panel for consideration.

[18] The Hearing took place on July 19, 2023, following which a request for assumption adjustments and revised indications was delivered to the Applicant on July 20, 2023. The Applicant responded on July 27, 2023. The Applicant's response was placed before the Panel and this decision finalized thereafter.

3. Evidence and Positions of the Parties

Facility Association

[19] The Applicant's Filing forms the main portion of its submission and the evidence before the Panel.

[20] FA presented its Filing to the Board with an overall original rate change indication of +1.80% and proposed an overall average rate increase of +1.80%.

[21] The following sets out the indicated and the proposed changes to the existing rates by coverage as of the date of the Hearing:

Coverage	**Indicated**	**Proposed (No Capping)**
Bodily Injury (TPL-BI)	-5.60%	-5.60%
Property Damage (TPL-PD)	-5.60%	-5.60%
Property Damage – Direct Compensation (DCPD)	21.50%	21.50%
Accident Benefits (AB)	-7.50%	-7.50%
Uninsured Auto (UA)	-1.10%	-1.10%
Collision (COL)	15.30%	15.30%
Comprehensive (COM)	7.00%	7.00%
Specified Perils (SP)	9.60%	9.60%
Underinsured Motorist (UM) – SEF44	-2.80%	-2.80%
Total	1.80%	1.80%

[22] The rate indication calculations detailed in the Filing incorporate various assumptions, including an after-tax target return on equity ("ROE") of 12.00% (implied ROE of 12.00% with proposed rate change), a target Return on Premium ("ROP") of 7.51%, an implied ROP of 7.51%, an investment rate on cash flow (discount rate) of 1.88%, an after-tax investment rate on capital (IRS) of 1.88%, and a 2:1 premium to surplus ratio. Proposed average rates would increase from the current average premium of approximately $3,068 to approximately $3,122.

[23] In its Final Submission, the Applicant provided the following reasoning for its proposed rate increase:

> *We have provided some general comments in relation to FA for context, but have focused our submission on certain items that appear to have been focal areas in interrogatories received throughout the filing process.*
>
> *FA's role in the market place is to guarantee the availability of automobile insurance to those eligible to obtain it, with the Facility Association Residual Market (FARM) acting as the "market of last resort". A healthy and competitive voluntary market keeps the FARM's size relatively small. According to GISA's 2022 AIX data, the FARM's share of the New Brunswick PPV market premium in 2021[1] was 2.9%, a decrease of 0.3% from 2020 (PPV written vehicles in 2021 accounted for 44.5% of total written vehicles for FARM New Brunswick all automobile), and the results of that premium are shared with the voluntary market. In fact, the FARM private passenger premium level in 2022 was the 11th largest of 20 active insurer groups (including the FARM) in the province, according to 2022 MSA data.*
>
> *It is important, in our view, that FARM rates are set to generate an appropriate return to ensure a properly functioning market, and to provide an appropriate signal to drivers of the risk profile they present, which is largely a factor of their driving behaviours. It is important to note that over the period 2012-2021, New Brunswick (NB) FARM private passenger vehicles had collision claims frequencies that were 2.3 times higher than NB industry private passenger vehicles, and bodily injury claims frequencies that were 3.8 times higher than NB industry private passenger vehicles.*
>
> [1] FARM 2022 market share information is not available due to 2022 industry data is not available at this time.
>
> [Record of Hearing, page 841]

[24] The Applicant argued that the data, assumptions and methodologies underlying the Filing are reasonable and consistent, the data is reliable and sufficient, assumptions are appropriate and that the methods used are also appropriate. The Applicant argued that FA has a unique mandate in the industry and its market share should be as small as possible.

The Office of the Attorney General

[25] The OAG intervened in the Hearing and took an active part in the review of the Application, questioning the assumptions therein, through the interrogatory process, filing an expert report and making a written submission to the Panel. That final written submission, prepared with the assistance of its expert actuaries, OW, identified several aspects of the Filing where alternative assumptions, judgments and methods presented by its expert actuaries were argued to be more appropriate than those presented by the Applicant. Areas of concerns that were raised by the OAG to be addressed at the Hearing included:

A. TPL - Bodily Injury severity trend
B. Property Damage severity trend
C. Payment Plan
D. Return on Equity
E. Return on Investment

[26] The OAG argues that the adoption of its alternative assumptions, judgments, and methods, which it suggested are more appropriate than those presented by the Applicant, would reduce the overall rate level change to a level less than the overall average rate level change indicated by FA.

The Office of the Consumer Advocate for Insurance

[27] The CAI argued that the increase proposed by the Applicant is neither just nor reasonable. The CAI further argued that the alternatives presented by the OAG are more appropriate and that these alternatives ought to be preferred and applied in favour of New Brunswick consumers.

[28] Further, the CAI questions the Applicant's target ROE of 12%. In conclusion, she submits:

> *The CAI reiterates to the Board that automobile insurance is mandatory in New Brunswick and therefore, rates should be reasonable, affordable, and fair. With this other increase requested by the present insurer, we submit the consumers of New Brunswick may have difficulties paying their insurance premiums. We ask the Board*

to choose the alternatives presented by the Office of the Attorney General, which are reasonable under all circumstances.

[Record of Hearing, page 811]

4. Analysis and Reasons

[29] The Panel has reviewed the Record of documentary evidence, including the final written submissions from all parties. It also received and reviewed the alternative rate change indications provided by FA on July 27, 2023, at the Panel's request.

[30] The Panel recognizes and accepts the actuarial expertise of both the Applicant's actuaries who prepared the Filing and responded to the various inquiries and the expert actuaries, OW, on behalf of the OAG.

[31] The Panel's decision accounts for the complexity and interactions between data, assumptions, judgment, models and methods. As set out below in more detail, on some of the issues, the Pane was satisfied that the Applicant's evidence met its evidentiary burden of establishing that that the selected data, assumptions, judgment, models and methods would lead to indicated rates that are just and reasonable while for other issues, the Applicant is required to make changes. The Panel concludes that FA must adopt -0.50% overall average rate change as set out in the Revised Indications.

[32] The Panel addresses each of the material issues individually below:

A. ***Trends – Bodily Injury severity***

[33] Loss cost trends are assumptions that measure the annual rate of change of claims costs from historical periods to projection period. The OAG raised a concern with respect to the Applicant's TPL-BI severity trend; all other trends were undisputed.

[34] The selection of loss cost trends should reasonably reflect the rates of change in the historical experience and represent sensible estimates of future expected rates of change for each coverage.

To achieve that objective, the selection of loss cost trends requires the analysis of historical data and anticipated conditions, as well as the application of professional judgment.

[35] To select its TPL-BI severity trend, the Applicant utilized data spanning from 2002H1 to 2019H2, and included scalars at 2003H2 and 2013H2, each coinciding with a change related to the Minor Injury Regulation (MIR) reform in New Brunswick. The resultant model produces a severity trend of +8.8% with an adjusted R-squared value of 90.09%, and p-values of less than 5%. On these measures, the Applicant's model appears to perform well.

[36] The model suggested by OW, on behalf of the OAG uses data from 2004H1 to 2021H2, and the selected severity trend is +6.7%, with similarly strong adjusted R-squared values and p-values.

[37] The OAG observes that OW's model relying on a long-term period to determine the trend mitigates an abnormal increase observed in the two 2015 data points. Also, OW points to a comparison of the combined loss cost trend implied by its separate frequency and severity models at +0.1%, which is consistent with the historical loss cost experience.

[38] The Applicant argued that its selected model appears to account well for the loss costs for the entire data set and the model accounts for 88.0% of the variation in loss costs.

[39] One of the differences between the two competing models is the OAG's inclusion of data points during the Covid-19 pandemic – data points in 2020 and 2021. FA excludes those points, while the OAG includes them, suggesting that in terms of severity, Covid-19 had little impact on the severity component of loss costs. At the request of the Board's actuaries, KPMG, the Applicant performed a sensitivity test of its TPL-BI severity model by including the COVID-19 data points. The resulting trend was +8.3%, indicating that the exclusion of these data points had no significant impact on the selection of the severity trend for this coverage.

[40] The Panel considered that FA was using consistent data sets to model frequency and severity, and that the statistical measures relating to its modelling indicated a good fit to the data. As such, the Panel found FA's TPL-BI severity trend selection to be just and reasonable in the circumstances of

this Filing. Further review will be necessary in the future to consider ongoing and developing impacts related to the Covid-19 period.

B. Trends – Property Damage Severity

[41] FA’s selected property damage severity trend is based upon data from 2002H1 to 2019H2, with a scalar inserted in the model at 2010H2. The resultant model produces a severity trend of +6.0% with an adjusted R-squared value of 67.26%, and p-values of less than 5%.

[42] On behalf of the OAG, OW suggested an alternative model using data from 2006H1 to 2021H2, and including a scalar at 2014H2. OW’s alternative model produces a severity trend of +1.6%. However, this alternative model shows a low p-value of 30.9%, indicating possible inappropriate slope trend beyond 2014H2. Despite this poor statistical measure, OW suggests that it adopted this approach based on a prior decision of the Board.

[43] The Panel disagrees with the OW’s interpretation of a prior decision and notes that each Application is consider on its specific merits based on the Record then existing. For a selected trend to be reasonable, the assumptions and methodologies upon which it is based must also be reasonable. In this case, there is no statistical or other support for the slope of the curve in the OW’s alternative model after 2014H2. The Panel finds that the new slope after the 2014 scalar should be rejected. The OW’s alternative model is therefore not a reasonable one for property damage severity trend.

[44] FA’s model as presented in the Application has good statistical measures, though the scalar is not supported by context that would support a shift at 2010H2. Nevertheless, the model would still produce a positive result and in all respects is a reasonable approach for this Filing. The Panel accepts the Applicant’s trend selection for this coverage.

C. Payment Plan

[45] When policyholders purchase an automobile insurance policy through FA, they are in reality contracting with an FA Servicing Carrier operating in this Province who underwrites the policies for FA. In New Brunswick, there is currently only one Servicing Carrier.

[46] Payment plans are typically offered by Servicing Carriers because insurance premiums are due and payable at the commencement of the policy period but many policyholders may wish to spread the expense out and pay monthly. These monthly plans are typically subject to a fee (premium financing fee), which is collected and retained by the Servicing Carrier, not FA. These premium financing fees are not mandatory and can be avoided by either paying the full amount of the premium when due, or by financing the cost through another entity such as a line of credit, a loan or similar. The fees relate not to the insurance, but to the policyholder's personal finance decisions.

[47] It is the Servicing Carrier who bears the risk that a policyholder defaults on payment, and also receives the benefits of the revenue from the premium financing fee. As such, it is the servicing carriers who provide this service and who determine the fee for that service. While the cost of FA policies is spread over all insurers, the revenue and risk related to those payment plans remain with the Servicing Carrier itself. These features distinguish payment plan revenues from the premiums paid for the insurance coverage.

[48] FA argued that it should not be required to reflect revenues from the premium financing fees within the ratemaking analysis as it does not provide this service and, further, those payments are not an insurance premium. FA does not have the data on which the Servicing Carrier relies to set the premium financing fees rate of 6%.

[49] The Panel does not consider premium financing fees, in the FA situation, to relate to rates charged for the insurance coverage provided through FA and finds it is reasonable that these fees are not included as revenue in the Filing. Regardless of FA's specific circumstances, the

Panel notes that it is not convinced by the OAG's argument about the non-existence of credit risk associated with the premium financing fees but leaves this issue for future determination.

D. *Profit Provision*

[50] Ratemaking requires appropriate consideration of reasonable profit provisions. FA's indications are based on a target after-tax return on equity (ROE) of 12%. The Panel noted that FA's target ROE selection of 12% is the same assumption used in past filings, and is a commonly used target after tax provision in this province, though there is no guideline or benchmark for ROE in New Brunswick. This ROE, with the other profit-related assumptions, equates to a 7.51% target return on premium.

[51] The OAG argued that the 7.51% return on premium profit provision is unreasonably high compared to the provision allowed in other provinces. To support its argument on the reasonableness of the target profit provision selected by FA, the OAG referred to a report prepared in 2013 considering the Ontario industry and return on equity. The Panel, however, finds that the report is dated, and not supported by any evidence or expert that has relevant expertise to opine on its applicability to the New Brunswick environment. The Panel notes parenthetically that 7.51% is not the highest, as PEI is slightly higher.

[52] FA responded that each province has its own regulatory regime, different insurance products, different claims payment patterns and fiscal environments. The Panel agrees, it is not a fair comparison to simply look at a table comparing rates between provinces without more contextual background. The simple comparison of ROE, or ROP, among various jurisdictions is not particularly probative. Each jurisdiction has its own legislation, and unique industry challenges for ensuring competition and a robust and healthy market for insurance products. The degree of riskiness in a particular market is one factor that must be reflected in ROE/ROP and may differ between jurisdictions.

[53] Furthermore, this rate application is for FA, not a typical insurer. FA explained that its role in the marketplace is to guarantee the availability of automobile insurance to those eligible to obtain it, with the Facility Association Residual Market (FARM) acting as the "market of last resort". FA is the umbrella under which the member insurers bear the real risk. Each of those member insurers requires capital to support the risk they bear. FA justified its selection on the basis that they do not seek to have lower than market rate to be competitive, as they are the insurer of last resort. In that respect, it was notable that the Panel heard evidence that FA has the fourth largest market share for commercial vehicles.

[54] FA in this case has selected a 12% ROE, consistent with prior filings and within the range of returns across the province. In these circumstances, the Panel is therefore satisfied that the selected target ROE used in this Filing is just and reasonable.

E. Return on Investment

[55] The development of rate indications requires applications to account for, *inter alia*, the revenue received from sources other than directly from policyholders, including revenue from investment of surplus funds. In its Application, FA selected a pre-tax return on investment (ROI) assumption of 1.88%. This ROI was selected to be consistent with the insurance industry's actual mix of bond yield rates based on the distribution of such investments in the industry. In other words, the selected ROI was selected to reflect the yield on an asset portfolio that would be similar to that of its members. In particular, in this Application FA determined the RoI of 1.88% based on the proportion of government versus corporate bonds reported in MSA Researcher, B04 – Total Canadian Casualty Industry (Ex ICBC-SAF, Ex Lloyd's), page 40.22 as at 2021.4. It also assumes investment expenses of 0.15%.

[56] With respect to government bonds, FA uses the Government bond yield from Bank of Canada. This methodology, argued FA, is consistent with previous decisions of panels of the Board. In this filing, FA has modified its methodology to rely on a rolling 12-month rolling average yield instead of a single yield as at a specific date. It argued that this modification mitigates the month-to-month volatility, promotes year-over-year stability, avoids "flip-flopping" between methods and across assumptions, as well as provides some governance.

[57] The OAG argued that the Applicant's approach to investment income fails to take into account the more current investment environment in which significantly higher rates have been observed in the government bond rates. The OAG argued that the formulaic approach adopted by FA lacks consideration of the interest rates that are reasonable for the preparation of a rate application in the current changing environment.

[58] Ratemaking by its nature is a prospective exercise, seeking to find the best estimate of returns going forward. In other words, the rates charged must not be excessive, nor should they be inadequate, all based upon a reflection of the best estimate of future costs and revenues. Interest rates at the time of the Filing (November 2022), differ from the rates at the effective cutoff date for the Applicant to complete the analysis and Application process (June 2022), and those also differ from the rates at the time of the Hearing. The Panel accepts that a rate filing with the Board is a multi-faceted and intensive work product that must, by necessity, have a cut-off date for data and calculations. For the purpose of determining its RoI assumption, FA is using data that was available as at June 30, 2022, at which time it began its ratemaking analysis.

[59] The Record confirms that at the time of the Filing preparation (June 30, 2022), the government bond risk-free rate was 2.99% and rose to between 3% and 4% between late 2022 and early 2023. The OAG argued that the rate of 1.48% adopted by FA for government bonds is an unreasonable assumption.

[60] It is acknowledged that the assumption of a future interest rate in the current economic environment is a challenging task. While a 12-month rolling average tends to be a

reasonable approach in a relatively stable economic environment, it performs sub-optimally in a quickly changing environment. In those circumstances, the Panel ordered that the Applicant restate its indications using a rolling three-month average instead of 12 months.

[61] For corporate bonds, the Applicant adopted the rates available in the Canadian Institute of Actuaries ("CIA") Report on Canadian Economic Statistics from 2020. The Panel requires the Applicant to instead adopt the 2021 report, which was published in May 2022 and therefore available at the time the Applicant started to prepare this Filing in June 2022.

[62] The incorporation of these two changes to the RoI assumption further reduced the Applicant's overall indicated rate change.

4. Decision

[63] The revised indications resulted in changes to the indicate rate change for each coverage as set out below:

Coverage	Indicated	Proposed (No Capping)	Revised Indication effective January 1, 2024	Revised Proposed
Bodily Injury (TPL-BI)	-5.60%	-5.60%	-8.90%	0.00%
Property Damage (TPL-PD)	-5.60%	-5.60%	-8.90%	0.00%
Property Damage – Direct Compensation (DCPD)	21.50%	21.50%	20.2%	0.00%
Accident Benefits (AB)	-7.50%	-7.50%	-10.40%	0.00%
Uninsured Auto (UA)	-1.10%	-1.10%	-4.40%	0.00%
Collision (COL)	15.30%	15.30%	15.20%	0.00%
Comprehensive (COM)	7.00%	7.00%	5.40%	0.00%
Specified Perils (SP)	9.60%	9.60%	8.30%	0.00%
Underinsured Motorist (UM) – SEF44	-2.80%	-2.80%	-7.20%	0.00%
Total	1.80%	1.80%	-0.50%	0.00%

[64] The Applicant's revised indicated overall average rate change is a negative (-0.50%). Nevertheless, the Applicant advised the Panel that its proposed overall average rate change is 0.00% on the basis that the annual net trend is positive and it wishes to avoid taking a small rate decrease in one year and a rate increase in a subsequent year, to maintain rate stability. The Panel finds no support for the Applicant's request to set rates higher than its reasonable and actuarially supported assumptions are indicating. While the rates must be just and reasonable, and FA does not seek to increase market share or competitive edge, nonetheless, this Panel finds that it would be unreasonable for FA's rates for 2023/2024 to be set higher than its indications.

[65] For the reasons set out above, the Panel finds that the Applicant's Filing is not just a reasonable in its entirety and the Applicant is ordered to amend its Filing and adopt a -0.50% overall average rate change based on the following adjustments to assumptions:

> *1. In the determination of the Return on Investment (RoI), modify the rolling average of the Government of Canada bonds yields as at June 30, 2022 from Bank of Canada to rely on the rolling 3-month average, while keeping all the other components unchanged.*
>
> *2. In the determination of the RoI, modify the data source for the corporate bond yield to rely on Canadian Institute of Actuaries (CIA) Report on Canadian Economic Statistics 1924-2021: Final Release, Table 3A (issued in May 2022)*
>
> *The baseline for these revisions is the filed indication (or 1.8%) dated November 15, 2022. The revised indications should show the impact for each of these 2 items separately, as well as for all items combined. Each revised indication should also detail the impact by coverage, as well as overall.*

[66] The Applicant is **approved to adopt an average rate change of -0.50%.**

[67] The approved rates will be effective on January 1, 2024, for both new and renewal business.

Dated at Saint John, New Brunswick, on August 31, 2023.

Ms. Marie-Claude Doucet, Chair

New Brunswick Insurance Board

WE CONCUR:

Ms. Carol Dixon, Board Member

Ms. Rachel Arseneau-Ferguson, Board Member