

<b>NEW BRUNSWICK INSURANCE BOARD</b>
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**ADDENDUM****IN THE MATTER OF:**

a rate revision application for the:

**Aviva Insurance Company of Canada**

With respect to automobile insurance rates for:

**Private Passenger Vehicles****Written Hearing Date:** December 2-3, 2025**PANEL:**

Chair	Ms. Marie-Claude Doucet, LL.B.
Member	Mr. Gerry Peters
Member	Ms. Heather Stephen

**Applicant:** Aviva Insurance Company of Canada Mr. Matthew Hayes, K.C.

**Intervenors:** The Office of the Attorney General Mr. Christopher Whibbs, LL.B.  
Mr. Jason Caissie, LL.B.

The Office of the Consumer Advocate for Insurance Ms. Michèle Pelletier, LL.B., K.C.

**Addendum :** **March 5, 2026**

## Summary

- [1] Aviva Insurance Company of Canada (the "Applicant" or "Aviva") filed an application to revise rates (the "Filing" or the "Application") with respect to automobile insurance for Private Passenger Vehicles ("PPV") in New Brunswick. Aviva presented its filing to the New Brunswick Insurance Board (the "Board") based on an overall rate change indication of +28.39% and proposed an overall average rate increase of +21.10%. This proposed rate change was later revised to +16.61% just prior to the Hearing.
- [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 December 2-3, 2025.
- [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"). Both the OAG and the CAI intervened in this Hearing; the OAG submitted an expert report and a final written submission with the assistance of actuaries, Oliver Wyman (OW), while the CAI filed a written submission and adopted the position of the OAG.
- [4] Following the hearing on December 2 and 3, 2025, in correspondence dated December 5, 2025, the Panel requested that the Applicant provide amended indications and impacts resulting from the following adjustments:
1. For the derivation of the implied Loss Development Factors ("LDFs") for Bodily Injury and Accident Benefits, removing the elevated inflation adjustments made to the LDFs in the Chain-Ladder methodology and in the Bornhuetter – Ferguson estimate in Exhibit 4.B.1.2 and 4.B.1.5 (i.e., setting column [9] to 1.000 in these exhibits);
  2. Assuming that the elevated inflation will end in December 2025 rather than persist until 2033;
  3. Setting the Post-Credibility Prospective COVID-19 Adjustment as the average of -4.15% and the reduction for "New Brunswick ex Comp" corresponding to the most

recent data point of the orange line of the graph shown on page 630 of the Record of Hearing;

4. In the derivation of the complement of credibility, using the net loss ratio trends only (i.e., no consideration given to the residual rate levels from the previous filing);
  5. Using a 1.00% contingent commissions ratio.
- [5] In connection with these adjustments the Applicant was asked to provide separate indications for each one, and also for all adjustments together, by coverage and overall.
- [6] The Applicant responded to the request on December 12, 2025, with the additional information and revised indications. The combination of the required changes, as set out in Paragraph [4], result in a decrease to the Applicant's overall indication to +17.71%, while its proposed overall average rate change is +16.61%.
- [7] The Panel, after examining all of the evidence and submissions made by the parties, including the response of December 12, 2025, determines that the indications supporting the proposed overall average rate change must be modified. The Applicant is ordered to incorporate all changes to the Filing as set out in its correspondence of December 12, 2025.
- [8] The Panel finds that Aviva's proposed average rate change is just and reasonable in the circumstances and Aviva is **approved to adopt the proposed overall average rate change of +16.61%**.
- [9] The approved rates will be effective on August 1, 2026 for new business and renewal business.

## **Exhibits**

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

<b>EXHIBIT</b>	<b>TAB</b>	<b>DESCRIPTION</b>	<b>DATE</b>
1.	01	Original Private Passenger Rate Filing	May 30, 2025
	02	Round 1 NBIB Questions to Applicant	June 12, 2025
	03	Round 1 Applicant Response to NBIB	June 19, 2025
	04	Round 1 Eckler Questions to Applicant	June 27, 2025
	05	Round 1 Applicant Response to NBIB	July 02, 2025
	06	Round 1 Applicant Response to Eckler	July 07, 2025
	07	Round 2 Eckler Questions to Applicant	July 11, 2025
	08	Round 2 NBIB Questions to Applicant	July 15, 2025
	09	Round 2 Applicant Response to Eckler	July 17, 2025
	10	Round 2 Applicant Response to NBIB	July 21, 2025
	11	Round 3 Eckler Questions to Applicant	July 21, 2025
	12	Round 3 Applicant Response to Eckler	July 22, 2025
	13	Round 3 NBIB Questions to Applicant	August 8, 2025
	14	Eckler Actuarial Report	August 11, 2025
	15	Round 4 NBIB Questions to Applicant	August 14, 2025
	16	Round 3+4 Applicant Response to NBIB	August 21, 2025
	17	Applicant Amendment	August 25, 2025
	18	Round 1 OAG IRs to Applicant	October 6, 2025
	19	Round 1 Applicant Response to OAG	October 14, 2025
	20	Round 2 OAG IRs to Applicant	October 20, 2025
	21	Round 2 Applicant Response to OAG	October 27, 2025
	22	Intervenor Report - OAG	November 10, 2025
	23	Final Submission – OAG	November 17, 2025
	24	Final Submission – CAI	November 17, 2025
	25	Final Submission – Applicant	November 17, 2025
	26	Applicant Amendment and Request to change Hearing format	November 19, 2025

	27	OAG response to Applicant Amendment and Memo	November 21, 2025
	28	CAI Response to Applicant Amendment	November 21, 2025
	29	Applicant Response to OAG Memo	November 25, 2025
	30	Request for Revised average rate level changes	December 5, 2025
	31	Response to Request for revised average rate level changes	December 12, 2025

## **1. Introduction**

[11] 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*, each insurer carrying on the business of automobile insurance in the province must file with the Board the rates it proposes to charge at least once every 12 months from the date of its last filing. An insurer must appear before the Board when:

- a. The Insurer files for a rate change more than twice in a 12-month period, or
- b. The Insurer files rates where the average rate increase is more than 3% greater than the rates charged by it within the 12 months prior to the date on which it proposes to begin to charge the rates, or
- c. The Board requires it to do so.

### **Procedural History**

[12] The Applicant filed this Application for the PPV category on May 30, 2025. The original overall rate level change indication of the Filing was +28.39% and the Applicant proposed an overall average rate increase of +21.10%.

[13] The Board issued a Notice of Hearing on August 25, 2025 and convened a Panel of the Board to conduct an Oral Hearing on the matter. The OAG and the CAI both provided notice of their respective intentions to intervene in the Hearing.

[14] Following questions from the Board staff, the Board's consulting actuaries (Eckler) and the OAG, the Applicant amended its indication to +27.11%.

[15] Pre-hearing written submissions were provided by the Applicant, the OAG, and the CAI to the Panel for consideration. The Applicant's Final Submission accepted the OAG's position regarding regular commission expense loading, lowering the overall indication down to +27.14%, and an amendment made during the interrogatory questions by Eckler, leading to an overall average rate level change of +27.11%. Thereafter, Aviva proposed amending its overall average rate increase to +16.61% as part of a proposal to transition from an oral hearing to a written hearing, in order to achieve a "more efficient approval process." This proposed rate level, according to the Applicant, was then aligned with the alternative provided by Oliver Wyman ("OW"), the OAG's expert actuary. The Applicant clarified, however, that it should not be taken to agree with or adopt the indications, methodologies or conclusions of the report of OW, and reserved the right to (i) file for approval of different rates in future filings; (ii) challenge or dispute any methodologies, assumptions, or conclusions in the OW report or any other actuarial analysis; and (iii) assert any and all positions should the matter continue to an in person hearing.

[16] In response to the proposal for a change in format of the Hearing, the OAG agreed to the suggestion to proceed as a written hearing, but sought leave to provide an additional memo from OW to be considered by the Panel at the Hearing. The memo addressed the Applicant's approach, outlined arguments related to elevated inflation, which is discussed below.

[17] The CAI did not object to the change in format for the Hearing and adopted the position of the OAG. The CAI supported the inclusion of the OW memo within the Record before the Panel.

[18] The Applicant responded briefly to the OW Memo, reaffirming its argument that its evidence behind the elevated inflation analysis was robust and well-supported.

[19] The Board acquiesced to the Applicant's request to proceed with a Written Hearing into this Application,

and that Hearing took place on December 2-3, 2025.

[20] On December 5, 2025, a request for assumption adjustments by the Board was delivered to the Applicant, to which a response was received on December 12, 2025. The Applicant’s response was placed before the Panel and this decision finalized thereafter.

## **2. Evidence and Positions of the Parties**

### **Aviva Insurance Company of Canada**

[21] The Applicant's Filing and responses to inquiries constitute the evidence before the Panel.

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

<b>Coverage</b>	<b>Indicated (Revised)</b>	<b>Proposed (Original)</b>	<b>OAG alternative, as agreed in Applicant’s final submission</b>
Bodily Injury (TPL-BI)	+33.67%	+28.25%	+18.68%
Property Damage (TPL-PD)	+27.28%	+19.98%	+14.49%
Property Damage – Direct Compensation (DCPD)	+27.38%	+16.41%	+17.03%
Accident Benefits (AB)	+30.06%	+24.72%	+15.34%
Uninsured Auto (UA)	+27.57%	+23.44%	+14.38%
Collision (COL)	+26.04%	+26.49%	+14.48%
Comprehensive (COM)	+20.94%	+12.25%	+18.48%
Specified Perils (SP)	+27.75%	+5.97%	+2.79%
Underinsured Motorist (UM) – SEF44	+5.67%	0.00%	+2.63%
<b>Total</b>	<b>+27.11%</b>	<b>+21.10%</b>	<b>+16.61%</b>

[23] 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 +6.12% based on the original indicated

overall average rate level change of +28.39% and initial overall proposed average rate level change of +21.10%), a target Return on Premium (ROP) of +6.95%, an implied ROP of +0.43% (based on the original indicated overall average rate level change of +28.39% and initial overall proposed rate change of +21.10%), an investment rate on cash flow (discount rate) of +3.00% , and a 2.00:1 premium to surplus ratio. The implied ROE and implied ROP were not revised when the Applicant reduced its proposed average rate level change to +16.61% in its final Submission but would have been less than the levels quoted above.

[24] In its Final Submission made to the Board, the Applicant provided the following reasoning for its proposed rate increase:

*Aviva and Traders' actuarial indication reflects the realities of rising costs and evolving risk patterns. Our objective remains to balance the interests of policyholders with the need for insurers to earn a return that reflects the risk and cost of providing coverage. This balance is essential for ongoing service and investment in the New Brunswick market. Adequate returns allow insurers to continue providing reliable coverage and service to policyholders, while also supporting long-term market health and competitiveness.*

[page 761 of the Record]

[25] The Applicant submits its assumptions are appropriate, robust and well-supported.

## **The Office of the Attorney General**

[26] The OAG intervened in the Hearing and took an active part in the review of the Application, questioned the assumptions therein through the interrogatory process, filed an expert report and made a written submission to the Panel. That final written submission, prepared with the assistance of its expert actuaries, OW, along with the additional memorandum of November 21, 2025, identified several aspects of the Filing where alternative calculations and / or assumptions were argued to be more appropriate. Areas of concerns that were raised by the OAG to be addressed at the Hearing included:

- A. Elevated Inflation
- B. Loss Development Adjustment for Inflation
- C. Bodily Injury Severity Trend

- D. COVID-19 and New Normal Adjustment Factors
- E. Large Loss Loading
- F. Complement of Credibility
- G. Regular Commissions
- H. Contingent Commissions

[27] The OAG argued that with alternative assumptions, judgments, and calculations, which it suggests are more appropriate, the overall rate level change need is less than the indication calculated by Aviva, and less than the originally proposed overall average rate change.

[28] The Applicant agreed to the OAG's alternative proposed overall rate change of +16.61% in order to proceed with a Written Hearing. In its response to the Applicant's Amendment and Memo, the OAG reiterated that the +16.61% alternative overall rate level change did not account for any OAG arguments related to the Applicant's unnecessarily complex elevated inflation methodology and should these arguments be accepted, would have likely reduced the required overall rate level change further, to +16.31%. The impact of any revised assumptions (including those for elevated inflation), as requested by the Panel, was provided on December 12, 2025.

### **The Office of the Consumer Advocate for Insurance**

[29] The CAI, in her final written submission, argued that the alternatives presented by the Intervenors are more appropriate and that these alternatives ought to be preferred and applied in favour of New Brunswick consumers. In particular, the CAI's submission raises concerns about the Applicant's after-tax Return on Equity assumption. This argument is also addressed below.

### **3. Analysis and Reasons**

[30] The Panel has reviewed all the written evidence in the Record including the Filing, the responses to the interrogatories, the expert actuarial report from OW, the final submissions and additional memoranda from the parties along with the alternative indications provided on December 12, 2025.

[31] 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.

[32] The Panel's decision reflects that each model and methodology selection is laced with layers of data, assumptions, and judgement. As set out below in more detail, the Panel accepted the Applicant's evidence as satisfying its evidentiary burden of just and reasonable in some areas, but not all. The Panel concludes that Aviva must make changes to its Filing, and is approved to adopt the proposed overall average rate level change of +16.61% .

[33] The Panel addresses each of the material issues raised by the OAG, the CAI and the Board's consulting actuaries ("Eckler") individually below:

- A. Elevated Inflation
- B. Loss Development Adjustment for Inflation
- C. Bodily Injury Severity Trend
- D. COVID-19 and New Normal Adjustment Factors
- E. Large Loss Loading
- F. Complement of Credibility
- G. Regular Commissions
- H. Contingent Commissions
- I. Return on Equity
- J. Group Membership Tier**
- K. New Tier Structure

#### **A. *Elevated Inflation***

[34] Aviva's adjustments to reflect the impact of recent elevated inflation are found throughout the Filing—loss development factors, Bodily Injury and Accident Benefits expected loss ratios, loss severity trend analysis and provincial indications.

[35] A key assumption made by Aviva is that the elevated inflation for Bodily Injury and Accident Benefits would continue until 2033. Aviva states that this assumption was made based on actuarial judgment,

and argued that while the higher inflation levels are decreasing, they remain elevated and have not returned to normal. It assured the Board that it would continue to monitor these levels, and if not deemed justified, it would adjust the assumptions for future filings.

[36] In the OAG's Expert Report, OW opined that the Applicant's adjustments related to elevated inflation were unnecessarily complex, and therefore OW was unable to quantify the effect of what it suggests are more reasonable assumptions. When the Hearing format was amended, the OAG was given leave to enter an additional memo from OW outlining its position.

[37] The OAG was critical of Aviva's assumption that elevated inflation for Bodily Injury and Accident Benefits would persist through to 2033. In the OAG's view, inflation levels for 'all-items' have already returned to pre-pandemic levels and it is anticipated that inflation for 'health care costs' will do the same in the near future. The OAG suggested an alternate approach whereby that higher inflation be reflected in Aviva's trend models. While the OAG claims that the impact of removing the elevated inflation adjustment beyond December 2025 would reduce the overall alternative indications from +16.61% to +16.31%, no supporting analysis was given for this calculation. The Panel was therefore unable to verify this conclusion.

[38] In its response to OAG's memo, the Applicant stated that its approach to determine the estimated impact of elevated inflation, while complex, was reasonable and appropriate, reflecting sound actuarial principles and consistency with underlying data and trends.

[39] In response to the argument that inflation ought to be included as part of the trend analysis, Aviva argued that this approach would be inappropriate as inflation is temporary and will reduce over time. Therefore, it said, anchoring trend analysis to the most recent data point would assume that current inflation levels are a new long-term baseline, which is not supported by observed economic patterns. It also argued that a scalar would be inappropriate as elevated inflation should not be considered as a sudden one-time shift that would be uniform across time and cohort. By comparison, elevated inflation varies over time and impacts accident years differently. Aviva points out that elevated inflation is difficult to detect through historical data. As a result of all of these factors, Aviva believes that fitting the impact of elevated inflation with the trend analysis will result in selections with wide confidence

intervals, undermining the statistical credibility of the results. Aviva argued that its approach is a more targeted and robust method that incorporated more detailed insights and avoids circularity.

[40] The Panel disagreed with Aviva's judgmental assumption that elevated inflation would continue until 2033 and found that there was insufficient evidentiary support for that assumption. The Applicant was asked to revise that assumption to reflect no elevated inflation after the end of 2025, which the Panel found to be a more reasonable interpretation of the data presented. The Applicant was requested to provide revised indications changing this assumption. These were provided on December 12, 2025 and the Applicant is ordered to adopt this revision.

### ***B. Loss Development Adjustment for Inflation***

[41] In this Filing, elevated inflation assumptions were determined by analyzing Company closed claim severities along with the CPI subcomponent from Statistic Canada. The weight by payment type was determined for all coverages, then these weights were compared to corresponding monthly values of the CPI subcomponent from Statistics Canada, as of June 30, 2024. From this process, a monthly claims inflation was determined for each coverage. The difference between the claims inflation and the 10-year average CPI over the period 2010-2019 (which was considered the baseline inflation) was determined as the elevated inflation percentage for each coverage. Future CPI was assumed based upon judgmental selections.

[42] Once the calendar year elevated inflation amounts by coverage were determined, the Applicant adjusted the Incurred Loss Development Factors, Bodily Injury and Accident Benefits Expected Loss Ratio assumptions, and Ultimate Losses for both the derivation of provincial indications and the severity trend analysis.

[43] The Panel agrees that the methodology adopted by Aviva in relation to reflect inflation in loss development factors is not a common one, and was vigilant to ensure that there was no double counting of the impact of inflation where historical data triangles may have already been adjusted for inflation through the judgment of claims adjusters.

[44] Aviva responded to this concern, stating that "*... the loss development procedures are used to project immature claims to their expected ultimate level. These procedures account for inflation (both normal*

*and elevated) that affects claim payments after the initial reporting of losses. This adjustment applies only to the unpaid portion of claims and does not restate the full claim to future cost levels; therefore, the resulting ultimate losses remain expressed in historical level”.*

[45] The Panel found that the Applicant’s written response to this question failed to sufficiently support its position, and was non-persuasive. It therefore remains a concern for the Panel that there may be potential for overlap in adjusting for inflation through loss development factors. The Panel therefore concluded that the Applicant had failed to meet its evidentiary burden on this point and requested that the adjustment factor be removed from the development factors and alternative indications be provided. These alternate indications were provided on December 12, 2025 and the Applicant is ordered to adopt this revision. The Applicant is ordered to make this change to the Filing.

### **C. Bodily Injury Severity Trend**

[46] Loss trends are assumptions that measure the annual rate of changes of past and future claims costs over time. Neither the Intervenor’s nor the Board’s consulting actuaries identified concerns with any of Aviva’s trends, except with respect to the severity trend for the Bodily Injury coverage.

[47] The selection of loss trends requires the analysis of past data and the application of professional judgment in order to select trend rates that reasonably reflect the rates of change of past experience and are reasonable predictions of future expected rates of change for each coverage.

[48] Aviva’s selected trends for this coverage are -4.68% for frequency and +8.02% for severity. The severity model is fit over the period 2015-1 through 2024-1. Aviva judgmentally excluded the data point at 2022-2, which is a noticeably high point. The adjusted R<sup>2</sup> value of the selected model is +89.3%, indicating a strong fit.

[49] The OAG suggested that the Applicant’s model is inappropriate as it commences at a low point in the data, and it excludes the 2022-2 data point, coincident with high inflation levels. The OAG argued that the 2022-1 point is also high, but was not excluded. To alleviate these concerns, the OAG argued that Aviva ought to also exclude the 2015-1 and 2022-1 data points, producing a +7.1% severity trend rate, rather than the +8.02% selected by the Applicant.

[50] With respect to the 2022-2 data point, Aviva responded that it judgmentally removed the point to prevent undue influence on the trend assumption. Reviewing various trend models, and the adjusted R<sup>2</sup> for each, Aviva then selected the nine year trend.

[51] The Panel reviewed the evidence within the Record and the Applicant's responses supporting the selected trend. The Panel found that the justifications were persuasive and reasonable and the Applicant's Bodily Injury severity trend assumption in this Filing was therefore accepted.

#### ***D. COVID-19 and New Normal Adjustment Factors***

[52] The COVID-19 pandemic materially impacted driving behaviours and claims experience commencing in 2020. While there has been significant recovery since then, the long-term impacts are not yet known, creating some uncertainty in a prospective rate making exercise.

[53] In this Filing, to reflect the post-pandemic environment, Aviva applies a judgmentally selected post-credibility prospective adjustment of -4.15% to its loss ratio for all coverages except Comprehensive and Specified Perils. In determining the adjustment, Aviva analyzed data from across the Atlantic Provinces, rather than New Brunswick alone. Aviva argued that its methodology was reasonable because using a larger body of data enhanced the credibility and the robustness of the analysis.

[54] The key assumption of Aviva's methodology came from its internal Working Group, which concluded that frequency would return to pre-pandemic levels by 2028. Before adopting the adjustment, Aviva conducted some analysis to validate its reasonableness, using their New Brunswick loss trend models and two scalar variables from the frequency trend analysis – one for the 2020-1 to 2022-1 period and another for the 2022-2 to 2024-1 period. Aviva ran various models for the validation and concluded that the Working Group's assumption was a reasonable one.

[55] The OAG was critical of Aviva's approach and argued that frequency patterns vary across provinces and coverage. The OAG's analysis demonstrated that New Brunswick frequency levels, excluding the Comprehensive coverage, differ materially from the corresponding levels for all Atlantic Provinces. The OAG argued, based on OW's analysis, that the new normal factor should be between +17.3% and +26.9% lower than pre-pandemic levels. The OAG also argued that the New Normal period commenced as of

2022. The OAG submitted that the more reasonable approach was to adopt COVID-19 and new normal adjustment factors implied by the trend models (based on New Brunswick data only), and to do the analysis separately by coverage. This alternative approach would have a significant impact on the indication.

[56] On this issue, the Panel considered two contested assumptions from Aviva's filing:

- a) whether the New Brunswick frequency will return to pre-pandemic levels in 2028 or whether December 2022 represents a New Normal experience level;
- b) whether the use of Atlantic combined data was appropriate for the analysis.

[57] With respect to the first issue, the Panel concluded for the purpose of this Filing that, the New Normal did not begin in 2022 as the OAG suggested. Rather, based on the data produced in the Record, a more reasonable assumption for the beginning of the New Normal is December 31, 2025. The adjustment level for the New Normal is difficult to predict and the Panel finds it was most reasonable to assume the adjustment should be estimated as the average of -4.15% and the reduction for "New Brunswick ex Comp" corresponding to the most recent data point of the orange line of the graph on page 630 of the Record. The Applicant was requested to provide impacts of this change, and alternate indications were provided on December 12, 2025. The Applicant is ordered to make this change to the Filing.

[58] With respect to the use of Atlantic data, the Board generally favors the use of New Brunswick data whenever possible due to relevance of the data. However, a broader data set may be used when required to ensure credible analysis. The Applicant's justification for the use of Atlantic data is supported by the larger and more diverse sample size smoothing out anomalies and reducing volatility that arose from smaller, region-specific datasets. When the Panel reviewed the data being considered, it agreed that the New Brunswick data alone was sub-optimal for the reasons provided by the Applicant, and its reasonableness check which used only New Brunswick data satisfied the Panel that the use of a broader dataset was a reasonable approach.

### ***E. Large Loss Loading***

[59] Aviva removed large losses from its experience in order to avoid distortion of the data, and replaced that data by applying a large loss loading. The intent of the methodology is to smooth out the impact of large losses. In its calculation, Aviva included the experience from Aviva General Insurance Company (“Aviva General”), a sister company.

[60] The OAG was critical of the inclusion of the Aviva General data and argued that its inclusion did not appear to significantly impact the credibility of the analysis. Thus, it argued the inclusion was not necessary.

[61] The Applicant responded to the criticism, and argued that it had included the extra data to improve statistical credibility and reduce year over year volatility. It argued that this approach was appropriate since the loss experience was broadly similar.

[62] In order to improve credibility, the data beyond the Applicant’s own data must have characteristics that are sufficiently comparable to those of its own data. In this Filing, the Applicant argued that the Aviva General data is “broadly similar.” The Panel determined that credibility was improved with the inclusion of the Aviva General data, which was sufficiently similar to the Applicant’s data. The Panel accepts the Applicant’s methodology for the purpose of this Filing.

[63] The Panel noted that a similar approach was not adopted by Aviva for the derivation of its catastrophe loading, though the rationales would have been similar. In response to questions from Eckler, the Board’s consulting actuaries, Aviva responded that they had not yet updated the methodology for determining the Catastrophe loading, but intended to do so in the future. The Panel recommended that this consistency in methodology be pursued.

### ***F. Complement of Credibility***

[64] When data volume is insufficient, it lacks full statistical reliability. The Applicant thus used a complement to increase the credibility of the indicated average rate level changes. There are several methods for determining a complement of credibility, and in this Filing, the Applicant has used the “net trend

method” which uses the residual from the Applicant’s previous filing adjusted for the net trend (or loss ratio trend).

[65] The net trend method considers each coverage’s indicated rate change from the prior filing, and compares it to the corresponding approved rate. The difference is the residual, which is then adjusted by the net trend for each coverage to determine the complement of credibility.

[66] The OAG challenges the use of the net trend method in this Filing since the prior Aviva filing was not subject of a hearing. Though the indicated average rate level change in the 2024 filing was +21.04%, Aviva chose to request only a +2.99% rate increase, to remain below the +3% threshold in order to avoid a full rate hearing. In the absence of a hearing, the indications are not subject to a review by the OAG or the CAI, and a Review Panel of the Board considers only the reasonableness of the selected rate level change, not the indications, assumptions or methodologies.

[67] The Panel agrees with the OAG that in the absence of a rigorous examination of the Applicant’s prior indications, the residual rate level inadequacy is not an appropriate consideration for the complement of credibility. The Applicant is ordered to remove consideration of the residual rate level from its complement of credibility and use only the net trend. Alternate indications were provided on December 12, 2025 reflecting this change. The Applicant is ordered to make this change to the Filing.

### **G. Regular Commissions**

[68] Eckler, the Board’s consulting actuaries, questioned the selected regular commission provision in the Filing. Aviva responded that the selected ratio was slightly higher than its historical experience, reflecting planned changes in distribution strategy and remaining closely aligned with the Atlantic region’s planned commission ratio, ensuring consistency across Atlantic jurisdictions.

[69] The OAG also posed interrogatories related to regular commissions and, in its Final Submission prior to the Hearing, Aviva revised its position and accepted an assumption proposed by the OAG, reducing the loading from +13.4% to +12.7%.

[70] With this concession from the Applicant, the Panel accepts the alternative suggested by the OAG.

## **H. Contingent Commissions**

[71] Aviva's contingent commissions are paid based on the individual profitability of brokers, then allocated more broadly, but not based on the profitability of the company itself. For the purpose of this Filing, Aviva selected a +2.0% contingent commission provision. In contrast, the OAG points out that in 2022, 2023 and 2024, Aviva has historically paid +1.0%, -0.7% and +1.3%, respectively, while 2021 saw contingent commission payments of +3.9%. The Panel acknowledges that the 2024 data was not available at the time of the Filing, but it became available prior to the Hearing and is found within the Record. The actual experience for 2024 fell short of the Applicant's assumption at +1.3%.

[72] It is recognized that contingent commissions must be estimated for the coming policy period, and may or may not be reflective of historical levels. Aviva points to poor loss experience and catastrophic events in 2022 and 2023 to explain low commission levels for those periods, but argued the commissions were rising back up as of 2024.

[73] The Panel was not persuaded that the Applicant's Filing justified a +2.0% contingent commission assumption in light of past payments and speculated future planned expenses. The Panel accepts that the more reasonable assumption for contingent commission, in all of the circumstances is the +1.0% proposed as an alternative by the OAG. The Applicant was requested to provide revised indications changing this assumption. These were provided on December 12, 2025 and the Applicant is ordered to adopt this revision.

## **I. Return on Equity**

[74] The CAI also raised the issue of a +12% after tax target ROE, questioning whether that assumption of +12% is just and reasonable in the current market, particularly where insurers in other provinces are not receiving that level of return.

[75] The CAI did not provide evidence, beyond argument and identification of different treatment in different jurisdictions, that challenged the reasonableness of a +12% target after-tax target ROE. While other regulators may arrive at a different conclusion in the specific circumstances of their jurisdictions, this Panel is satisfied that a target after-tax target ROE of +12% is reasonable in the circumstances

[76] The Panel reiterates that there is no benchmark for the target ROE in New Brunswick, and each application is assessed individually on a case-by-case basis after considering all of the surrounding circumstances.

#### **J. Group Membership Tier**

[77] **The Applicant also identifies new groups for whom discounts have been implemented (based on similarly situated groups) without having either been filed or approved by the Board. The Applicant is not permitted to charge rates that have not been approved by the Board to policyholders. The Applicant's request to adopt these new groups is not approved and the discounts must be removed.**

#### **K. New Tier Structure**

[78] Aviva proposed to introduce a new tier structure for group discounts. Aviva and Traders are about to merge, and until this point, Aviva did not have any group discounts, while Traders book of business is entirely impacted by them. In this Filing, Aviva seeks to adopt a relatively immediate adjustment for new or existing groups that meet certain criteria.

[79] Part of the rationale for this proposed structure, which would adjust group discounts (and rates) without prior approval from the Board, is that the adjustments can be made quickly. The Panel takes note that requests of this type, when made to the Board in the normal course, are addressed in a timely way, without any undue delay.

[80] The Panel finds the Applicant's justification for the request for the tier structure is neither reasonable nor well supported. The mandate of the Board is to ensure that only approved rates are to be charged to policyholders in New Brunswick, while this proposed tier structure would allow the Applicant to adjust rates in the absence of approval from the Board. The Applicant's request to adopt this structure is not approved and may not be implemented.

## 4. Decision

[81] For the reasons set out above, the Panel finds that the Applicant's proposed overall average rate level change is just and reasonable and is approved to adopt the proposed average rate change of +16.61%.

[82] For the reasons set out above, the Panel finds that Applicant's Filing is not just and reasonable in its entirety and the Applicant is ordered to amend its Filing with the following adjustments to assumptions:

1. For the derivation of the implied Loss Development Factors ("LDFs") for Bodily Injury and Accident Benefits, remove the elevated inflation adjustments made to the LDFs in the Chain-Ladder methodology and in the Bornhuetter – Ferguson estimate in Exhibit 4.B.1.2 and 4.B.1.5 (i.e., setting column [9] to 1.000 in these exhibits);
2. Assume that the elevated inflation will end in December 2025 rather than persist until 2033;
3. Set the Post-Credibility Prospective COVID-19 Adjustment as the average of -4.15% and the reduction for "New Brunswick ex Comp" corresponding to the most recent data point of the orange line of the graph shown on page 630 of the Record of Hearing;
4. In the derivation of the complement of credibility, using the net loss ratio trends only (i.e., no consideration given to the residual rate levels from the previous filing);
5. Use a 1.00% contingent commissions ratio;
6. **Remove current group discounts that were not approved by the Board;**
7. Remove the New Tier Structure.

[83] The approved rates will be effective on August 1, 2026 for new business and renewal business.

Dated at Saint John, New Brunswick, on March 5, 2026.

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Ms. Marie-Claude Doucet, Chair  
New Brunswick Insurance Board

WE CONCUR:

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Mr. Gerry Peters, Board Member

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Ms. Heather Stephen, Board Member