

**NEW BRUNSWICK INSURANCE BOARD**

**IN THE MATTER OF:**

a rate revision application for the:

**Belair Insurance Company Inc.**

With respect to automobile insurance rates for:

**Private Passenger Vehicles**

**Oral Hearing Date:** February 25 and February 26, 2026

**PANEL:**

Chair Ms. Marie-Claude Doucet, LL.B.

Member Mr. Georges Leger

Member Ms. Rachel Arseneau-Ferguson

**Applicant:** Belair Insurance Company Inc. Ms. Nadia McPhee, LL.B.

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

The Office of the Consumer Advocate for Mr. Marc Roy, LL.B.  
Insurance

**Decision Rendered:** May 28, 2026

## Summary

- [1] Belair Insurance Company Inc. (the "Applicant" or "Belair") filed an application to revise rates (the "Filing" or the "Application") with respect to automobile insurance rates for Private Passenger Vehicles ("PPV") in New Brunswick. Belair initially presented its filing to the New Brunswick Insurance Board (the "Board" based on an overall average rate level change indication of +18.69% and proposed an overall average rate level increase of +13.30% after capping (+15.00% before capping). Subsequently, the Filing was amended to reduce the overall average rate level change indication to +17.89%, with a small reduction in the proposed capped average rate level change from +13.30% to +13.10%.
- [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 an Oral Hearing (the "Hearing") on February 25 and 26, 2026.
- [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.
- [4] On March 9, 2026, following initial deliberations, the Panel requested that the Applicant provide amended indications and impacts resulting from the following adjustments to assumptions:
  1. Using the excess inflation adjustment based on New Brunswick experience only (i.e., in columns (17) to (19) of page 194 of 1315 of the Record of Hearing).
  2. Using a Bodily Injury past and future severity trend assumption of +8.00%.
  3. Using a DCPD future 1 frequency trend assumption of +2.00%.
  4. Applying the following assumption for the "Deduction % of Tangible" in the calculation of the profit provision:
    - a. 0%
    - b. 25%
    - c. 35%
    - d. 50%.

- [5] The Applicant was requested to provide separate indications for each individual change and an indication that reflects all changes, to allow the Board to understand the individual and combined impact of the changes. The Applicant was asked to detail the results of the adjusted analysis for the changes, the indicated average rate level changes by coverage and overall. The proposed average rate level changes by coverage were to remain unchanged.
- [6] The Applicant responded to the request on March 13, 2026, with revised indicated average rate levels with these changes in assumptions. The response was later revised on March 18, 2026, to provide the average rate level changes to two decimal places. Further clarification was requested by the Board's consulting actuaries ("Eckler") on March 18, 2026, with a response dated March 19, 2026, and received on March 20, 2026. The changes that reflect the amended assumptions as set out in paragraph [4] result in a decrease to the Applicant's overall indication from +17.89% to a range of +11.47% to +13.70% depending on the alternative chosen for the deduction percentage related to tangible assets in the calculation of the profit provision.
- [7] In addition to responding to the Panel's request for revised indications, Belair's March 13th, 18th and 19th responses provided additional information from its P&C -1/P&C -4 filed with OSFI as support for its position. Parties are reminded that requests for revised indications based on amended assumptions arise after the close of a Hearing, and no further evidence may be submitted to the Panel as it would, *inter alia*, render the process unfair to the Intervenors, who do not then have an opportunity to address that additional evidence. The additional information appears to be evidence that would have been available to the Applicant prior to the Hearing but was not part of the Record. The Panel did not consider the additional information related to the OSFI P&C -1/P&C -4 for the purposes of this Decision.
- [8] The Panel reconvened on March 26, 2026, to deliberate and consider the Applicant's response and the impact of the changes to the above noted assumptions. The Panel, after examining all the evidence and submissions made by the parties, determines that the indications supporting the proposed overall average rate change must be modified. For the reasons set out below, the Applicant is ordered to incorporate changes (1), (2), (3), and (4a) as set out in the request for assumption adjustments. With those revisions, the Applicant's revised indicated overall average rate level change is +11.47% and the Applicant is approved to adopt that rate change.

[9] The approved rates will be effective on June 14, 2026, for new business and August 13, 2026, for renewal business.

## Exhibits

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

EXHIBIT	TAB	DESCRIPTION	DATE
<b>1</b>	.01	Original Private Passenger Rate Filing	July 8, 2025
	.02	Round 1 NBIB Questions to Applicant	July 25, 2025
	.03	Round 1 Applicant Response to NBIB	July 31, 2025
	.04	Round 1 Eckler Questions to Applicant	August 19, 2025
	.05	Round 2 NBIB Questions to Applicant	August 25, 2025
	.06	Round 1 Applicant Response to Eckler	August 28, 2025
	.07	Round 2 Applicant Response to NBIB	August 29, 2025
	.08	Round 2 Eckler Questions to Applicant	September 12, 2025
	.09	Round 2 Applicant Response to Eckler	September 26, 2025
	.10	NBIB Follow-up Request for missing Amended Summary Sheet	October 1, 2025
	.11	Round 3 Eckler Questions to Applicant	October 3, 2025
	.12	Applicant Response to NBIB Request for missing Amended Summary Sheet	October 6, 2025
	.13	Round 3 Applicant Response to Eckler	October 9, 2025
	.14	Actuarial Report - Eckler	October 29, 2025
	.15	Round 1 OAG IRs to Applicant	December 17, 2025
	.16	Round 1 Applicant Response to IRs	January 16, 2026
	.17	Round 2 OAG IRs to Applicant	January 23, 2026
	.18	Round 2 Applicant Response to IRs	January 30, 2026
	.19	Round 2 Applicant Response to IRs updated to include available data for other coverages	February 4, 2026
	.20	Intervenor Report	February 6, 2026
	.21	Final Submission - CAI	February 10, 2026

	.22	Final Submission - OAG	February 13, 2026
	.23	Final Submission - Applicant	February 13, 2026
	.24	CAI Requested Hearing Documentation from Applicant	February 26, 2026
	.25	Board's Request for Revisions	March 9, 2026
	.26	Applicant Response to Board Request for Revisions	March 13, 2026
	.27	Board Request for Revisions Follow up	March 16, 2026
	.28	Applicant Response to Follow up	March 18, 2026
	.29	Board Additional Questions for Applicant	March 18, 2026
	.30	Applicant Response to Additional Questions	March 20, 2026

## **1. Introduction**

[11] The Board is mandated by the Legislature with the general supervision of automobile insurance rates in the Province of New Brunswick. 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 July 8, 2025. The original overall average rate level change indication of the Filing was +18.69% and the Applicant sought an overall average rate level increase of + 15.00% before capping (+ 13.30% after capping).
- [13] Following questions from the Board staff and Eckler, the Applicant made several pre-Hearing amendments to its Filing, with a final indicated average rate level change of +17.89% with a small reduction in the proposed capped average rate level change from +13.30% to +13.10%. The change in the indicated average rate level change followed a correction to the Filing after Belair discovered an error in the allocation of All Perils data to the Collision and Comprehensive coverages in the trend analysis.
- [14] The Board issued a Notice of Hearing on November 6, 2025, and convened a Panel of the Board to conduct an Oral Hearing to consider the Filing. The OAG and the CAI both provided notice of their respective intentions to intervene.
- [15] Prior to the Hearing, additional information and clarification was generated; several questions were posed by the Board, Eckler and the OAG. The Applicant responded to all questions posed and the answers form part of the Record. The OAG also submitted an expert report authored by OW.
- [16] Pre-hearing written submissions were provided by the Applicant, the OAG, and the CAI to the Panel for consideration.
- [17] After the Hearing on February 25 and 26, 2026, a request for revised indications was delivered to the Applicant, to which written responses were received on March 13th, 18th and 20th, 2026. Those responses were placed before the Panel for continued deliberations, and this decision was finalized thereafter.

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

### **Belair Insurance Company Inc.**

[18] At the time of the Hearing, Belair presented an overall original indicated average rate level change of +17.89% and proposed an overall average rate level increase of +15.00%, before capping, +13.10% after capping.

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

<b>Coverage</b>	<b>Indicated</b>	<b>Proposed (before capping)</b>	<b>Proposed (after capping)</b>
Bodily Injury (TPL-BI)	+11.06%	+10.80%	+9.80%
Property Damage (TPL-PD)	+20.57%	Incl. in BI	Incl. in BI
Property Damage – Direct Compensation (DCPD)	+25.10%	+20.40%	+18.70%
Accident Benefits (AB)	-6.02%	+0.00%	-1.10%
Uninsured Auto (UA)	+1.82%	Incl. in AB	Incl. in AB
Collision (COL)	+11.03%	+11.00%	+9.00%
Comprehensive (COM)	+36.63%	+31.80%	+27.60%
Specified Perils (SP)	+9.92%	+8.00%	+6.60%
All Perils	+37.92%	+18.10%	+15.70%
Underinsured Motorist (UM) – SEF44	+18.63%	+0.00%	+0.00%
<b>Total</b>	<b>+17.89%</b>	<b>+15.00%</b>	<b>+13.10%</b>

[20] 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 +9.74% with proposed rate change), a target Return on Premium of +4.95%, (implied Return on Premium of +2.84%), an investment rate on cash flow (discount rate) of +3.25% , an after-tax investment rate on capital (IRS) of +3.25%, and a 1.51:1

premium to surplus ratio. The proposed average premium would increase from the current average premium of approximately \$1,261 to approximately \$1,427, after capping.

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

*The high indicated rate change is a result of the following primary factors which are driving our rate needs:*

- *Belair has taken significantly less rate than the overall industry in New Brunswick over the last five years*
- *A mix change towards less experienced drivers and more new business has led to higher trends*
- *Increased lawyer representation in New Brunswick driving higher severity for Bodily Injury*
- *Changing environment for Bodily Injury claims leading to frequency deterioration in recent years*
- *Increased severity on physical damage coverages driven by recent high inflationary environment*

*[Record, page 1282]*

[22] The Applicant's submission argued that its approach in the Filing is in line with its previous filings before the Board, and with accepted actuarial practice. It argued that its selections are based on robust models and sound actuarial judgment, which considered a range of potential outcomes from different methodologies, analyses, departments' expertise and data sources leading to reasonable and reliable estimates. Belair argued that rate increases are necessary due to increasing pressures in a rapidly changing environment.

[23] Belair acknowledged that in the past its predecessor Unifund had sometimes taken increases lower than its indicated average rate level changes to avoid the time and expense of a hearing before this Board. As such, it argued that it is not rate adequate coming into the Hearing and has not been for some time. It argued that its proposed rates are based on sound actuarial practice and are just and reasonable.

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

[24] The OAG intervened in the Hearing and took an active part in the review of the Application and the questioning of the assumptions and methodologies therein. It did so through the interrogatory process, filing an expert report and making a written submission to the Panel. That final written submission, prepared by expert actuaries, OW, identified several aspects of the Filing where alternative calculations and / or assumptions were argued to be more appropriate. The OAG also cross-examined the Applicant's witness at the Hearing, and called its own expert witness, who was in turn cross-examined by the Applicant's counsel.

[25] The OAG argued that with alternative and more appropriate assumptions, judgments and calculations, the fair and reasonable average rate level indication is +4.8%

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

[26] The CAI provided a written submission to the Panel for consideration, questioned the Applicant's expert witness and made oral submissions at the Hearing. The CAI supported the alternatives and assumptions presented by the OAG and its expert actuary, OW, and raised concerns regarding the Applicant's use of a credit score rating variable, and the Applicant's Usage Based Insurance Pricing.

## **3. Analysis and Reasons**

[27] The Panel has reviewed and carefully considered all the evidence in the Record including the Filing, the responses to the interrogatories, the written submissions from all parties and the alternative calculations provided on March 13, 18 and 20, 2026. In addition, the Panel members carefully considered the evidence and arguments presented at the Hearing.

[28] The Panel recognizes and accepts the actuarial expertise of the parties' expert actuaries who provided documentary and *viva voce* evidence.

[29] The materials within the Record raised several issues for the Panel to consider, which impact the determination of whether the rates Belair proposes to charge its policyholders are just and reasonable. Each of those issues is discussed individually below.

[30] The Panel's decision reflects that each model and methodology decision is laced with layers of data, assumptions, and judgement. The onus rests with the Applicant to establish to the Panel that the rates it proposes to charge Policyholders in this province are just and reasonable. As set out below in more detail, the Panel found that the Applicant's evidence did not, in its entirety, satisfy its evidentiary burden of proposing rates that were just and reasonable. The Panel concludes that Belair must make the changes to its filing set out in paragraph 8 above and may adopt the amended indicated average rate level change of +11.47%.

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

- A. Experience Period Weights and COVID-19
- B. Loss Trends – DCPD Frequency
- C. Loss Trends – Collision Frequency
- D. Loss Trends – Comprehensive Frequency
- E. Short – Tail Coverages – Excess Inflation Adjustment
- F. Loss Trends – Collision Severity
- G. Loss Trends – Comprehensive Severity
- H. Loss Trends – Bodily Injury Severity
- I. Profit Provision and Standard Formula
- J. Usage Based Insurance (UBI)
- K. Credit Score

**A. Experience Period Weights and COVID-19**

[32] For the purposes of its analyses of long-tail coverages, Belair used the data from accident years 2019-2024 but then excluded the COVID-19 affected years 2020 and 2021 by assigning them 0% weight. The data is not otherwise adjusted to reflect any effect from the pandemic. For the remaining accident years of 2019, 2022, 2023 and 2024, Belair assigned weights (in the derivation of the overall indications) of

10%/ 30%/ 30%/ 30% respectively for each coverage. Belair submitted that this approach demonstrated an appropriate balance of responsiveness and stability.

[33] For short tail coverages, Belair assigned weights to the accident years 2022, 2023 and 2024 experience of 20%, 35% and 45%, respectively, again with no weight assigned to the experience of accident years 2020 and 2021.

[34] The exclusion of the 2020 and 2021 experience, according to Belair, was appropriate as these accident years were the most impacted from COVID-19 preventative measures. Belair suggested that this exclusion was necessitated by the numerous governmental interventions impacting traffic and restrictions, which decreased frequency of claims, and distorted severity (due to what Belair suggested was a changed mix of claims during that period), while observing that most of the measures had eased by the beginning of 2022. In Belair's view, those periods were impacted to such a degree that the conflict between responsiveness and stability ought to be resolved in favour of excluding that data.

[35] The OAG's expert witness suggested that Belair's approach for long-tail coverages of assigning a 10% weight to 2019, does not adequately consider changes in driving patterns pre- and post-pandemic. The OAG was also critical of Belair's decision to completely remove the 2020 and 2021 experience for long-tail coverages, rather than including the data, but with adjustments. The OAG also suggested that the 2019 experience, even with a 10% weight, ought to be subject to a "new normal factor" or this weight should be spread to accident years 2022-2024 as there were different driving behaviours pre-COVID. Belair responded that the 2019 year was less relevant as it was pre-COVID and therefore it was given less weight.

[36] With respect to short-tail coverages, the OAG pointed out that almost half of the weight (45%) had been attributed to the most recent accident year, for which the data is the least mature.

[37] Belair responded to this criticism by suggesting that for short-tail coverages, the most recent accident year is not as uncertain as it would be for a long-tail coverage. Placing the largest weight on the most recent data, it argued, is more responsive as it better captures emerging trends and a recent shift in Belair's mix of business.

[38] The OAG argued that one better approach would have been for Belair to perform an analysis of the effects of the COVID-19 pandemic and included that experience (with adjustment) rather than assigning a 0% weight to the 2020 and 2021 accident years. Alternatively, for all coverages, the OAG believes that Belair ought to have applied equal weights to the accident years 2022-2024 experience.

[39] The Panel considered that, while it is common to assign differing weights to the experience of various accident years, it is less common to see 2 of 6 years assigned no weight for long-tail coverages, and 3 of 6 years assigned no weight for short-tail coverages, with significant weight given to the most recent accident year. However, the Panel finds that, although the complete exclusion of data for the COVID-19 period is unusual, it is not unique. While in many cases it would be preferable to include adjusted COVID-19 related data, the Panel accepts Belair's rationale that its methodology sought to be reactive to the changing business environment, and its shift in the mix of business, while maintaining some stability with the use of the 2019 data (at 10% weight) for the long-term coverages. Consequently, the Panel finds Belair's approach to be reasonable.

### **Loss Trends**

[40] Loss trends are assumptions that measure the annual rate of changes of past and future claims costs over time.

[41] The selection of loss trends requires the analysis of past data and the application of professional judgment 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.

[42] In support of its loss trends, in its responses to interrogatories, final submission, and submissions at the Hearing, Belair relied upon some 2025 data, which was not available at the time of filing. The Panel recognizes that it is necessary to select a cutoff date for data when an insurer is preparing a filing. To allow for review by consulting actuaries, the Board, the Panel and the Intervenors, the Panel is of the view that data must be assessed of the date of filing. In other circumstances, the intervenors have on occasion suggested that new data casts doubt on assumptions made by applicants in a filing, and previous panels have accepted that it is appropriate to give no weight to those arguments, in recognition of the need for a cut off for data to assess the reasonableness of the assumptions. Further, Mr. Choi (on behalf of Intact) agreed on cross examination at this Hearing that not all elements' of 2025 data

were updated and disclosed. In all these circumstances, the Panel is therefore not prepared to consider the 2025 data presented, or arguments based on the 2025 data, that were not available at the time of the Filing. Belair's 2026 filing will of course have the benefit of this additional year of data.

### **B. Loss Trends – DCPD Frequency**

[43] Belair selected a DCPD past frequency trend of +8.1%, a future trend of +4.0% for one year, and a +0.0% trend afterwards. The reason for Belair's use of two different future trends, for this coverage and others, is the change in mix of business due to rapid growth following the amalgamation of Unifund Assurance Company and Trafalgar Insurance Company of Canada into Belair. After one year (2024-2025), this significant shift in the mix of business is not expected to continue. The parties only disagreed with the first future trend of 4.0%, which was judgmentally set equal to 50% of the selected past trend.

[44] While acknowledging that the frequency trend observed between 2013 and 2019 is flat, Belair argued that the historical trend is not meant to infer a decade long pattern, and that more recent data indicates a clear positive trend. Belair argues that this approach to only consider post COVID-19 (2022-2024) data is aligned with the methodology considered above, where weight was assigned only to the last three accident years, not to any pre-COVID years for short-tail coverages. Belair emphasized its intention was to be responsive without potentially overfitting.

[45] The OAG criticized this approach stating that Belair risks overfitting by fitting a two-parameter model to only three data points. OAG pointed out that Belair's own modelling over a longer experience period, included within the Record on page 182, produced a negative trend rate.

[46] The OAG's suggested alternative approach was to insert a new normal scalar in 2022 to reflect how hybrid workplaces have evolved since the pandemic and then selects a 0.0% trend. Belair argues that the proposed scalar is inappropriate, since the post – pandemic driving behaviours are continuously evolving, not fairly characterized as a one-time impact. It suggests that the effect will persist into the prospective period.

[47] The Panel considered both the Applicant's model and the OAG's proposed alternative. The Panel reviewed the adjusted R<sup>2</sup> values and p-values, while also acknowledging that direct comparison was difficult given the contrasting trend methodologies.

[48] The Panel determined that the Belair model is challenged by the use of only 3 post-COVID data points. The Panel therefore ordered the Applicant to provide revised indications based on a future 1 frequency trend of +2.0%, half of its proposed selection, to temper the weakness in the selected model.

### **C. Loss Trends – Collision Frequency**

[49] For the Collision coverage, Belair judgmentally selected a past trend of +2.5%, a one-year future trend of 1.2% (judgmentally set to 50% of the past trend) and a 0.0% future trend thereafter. Its rationale for this approach mirrors that of the previously discussed DCPD trend, above.

[50] The OAG argued that rather than a positive trend, there was a distinct negative trend for this coverage. However, the alternative model including a mobility variable was based on Collision data prior to the correction for the misallocation of All Perils mentioned in paragraph [13] above.

[51] The Panel considered Belair's justification in support of a positive trend, including the visual graph, and the change in the company's mix of business consideration. The Panel agrees that there is a positive frequency trend and accepts Belair's selected trends as reasonable.

### **D. Loss Trends – Comprehensive Frequency**

[52] As it did with the previous short-tail coverages' frequency trends, Belair judgmentally selected its past frequency trend for the Comprehensive coverage at +5.3%, a one-year future trend of +2.6% (50% of the past trend) and a 0.0% future trend thereafter. Again, the rationale was in line with the previous coverages, pointing to the focus on the relevancy of the recent conditions, including the changing mix of business.

[53] As it did with the previous short-tail coverages, the OAG argued that the increased traffic observed after COVID is a new normal state best modelled with the inclusion of a mobility parameter. The arguments again mirrored those related to the previous short-tail coverages.

[54] Again, as the OAG's alternative model was based on the uncorrected data, no alternative was available based on the correct data for the Panel's consideration.

[55] The Panel considered Belair's trend model and agrees with the conservative approach of selecting 50% of the past trend as the first future trend, and zero thereafter. The Applicant's frequency trends for this coverage are accepted by the Panel.

#### **E. Short – Tail Coverages – Excess Inflation Adjustment**

[56] To reflect the period of excess inflation that followed the COVID-19 pandemic period, Belair applied a separate excess inflation adjustment in its provincial indications. This adjustment is calculated using New Brunswick, Atlantic and national data for all Physical Damage coverages combined. Belair argued that the significant rise in inflation in the industry is attributed to global supply chain disruptions and increased labour costs across all provinces, and using this data improved its credibility. Belair therefore assumed that the same adjustment is reasonable for each of these coverages, even though the impact of excess inflation on each coverage may not be as apparent.

[57] The OAG was critical of the inclusion of national and Atlantic Provinces data since inflation may have impacted provinces to a different degree and, as the Record revealed, the adjustment based on New Brunswick data alone would not be as significant. The OAG's proposed alternative is the inclusion of a one-time scalar in the severity trend analysis for each Physical Damage coverage and, in the event the variable is statistically significant, OAG includes an adjustment in the provincial indications.

[58] Belair argued that the OAG's proposed inclusion of a scalar in the severity trend models was not appropriate as it could lead to overfitting.

[59] With respect to the inflation adjustment proposed by Belair, the Panel determines that an adjustment is appropriate but that it must be based upon New Brunswick data, not Canada-wide or the Atlantic Provinces' experience. The Applicant was ordered to make that change to its Filing.

#### **F. Loss Trends - Collision Severity**

[60] Severity trends for the Physical Damage coverages in the Filing are tied to the Applicant's excess inflation methodology. For Physical Damage coverages, Belair's approach is to derive severity trends based on pre-pandemic experience and include an excess inflation adjustment in its provincial analysis to reflect the sharp increase in inflation that occurred in 2020 and 2021. Belair's selected past and future severity trend for Collision is +5.6% based on pre-COVID data. Its support for the impact of excess inflation for this coverage is based, in part, on observations of the severity data of other short tailed coverages.

[61] The OAG argued that there is no discernible excess inflation impact for this coverage and did not propose the use of a scalar in its Collision severity trend model.

[62] Belair justifies the excess inflation adjustment in its provincial indications on the basis that the severity trend and the excess inflation adjustment serve distinct but complementary purposes. Belair defended the use of the excess inflation adjustment on the basis that the fitted severity trend reflected a long-term underlying pattern in the Collision severity and provided a reasonable fit for recent accident years. Belair noted, by 2021 Q4, significant increases in severity driven by repair costs, and total losses. Further, Belair argued that the excess inflation adjustment ensured the short-term excess inflation was reflected, where it would not otherwise be caught by a single long-term trend fit.

[63] The Panel agreed with the Applicant and accepted the proposed Collision severity trend.

#### **G. Loss Trend – Comprehensive Severity**

[64] For the Comprehensive coverage severity trend, Belair considered data from 2012-2019 and selected a +8.3% past and future severity trend. In addition, Belair included an excess inflation adjustment in its provincial indications for this coverage.

[65] The OAG's analysis of the data suggested that the steepest incline in severity was between 2020 and 2021, therefore it argued that the excess inflation adjustment ought to be removed for 2022 and onward in the provincial indications. The OAG suggested that the scalar in 2020-2021 fit well in the model but was unable to provide a rationale or context for a shift in severity at that time.

[66] The Panel agrees with the Applicant that there is no support for the proposed scalar in the OAG alternative model. The Panel finds that the Applicant's severity trend model as well as the use of the excess inflation adjustment in the provincial indications are reasonable and accepted.

#### **H. Loss Trends – Bodily Injury Severity**

[67] Belair selected a severity trend of +12.4 % for both past and future. It modelled data from 2014-2024, excluding accident years 2020 and 2021.

[68] With respect to the excluded accident years, while there is little doubt that frequency of claims was impacted by the COVID-19 pandemic, it is less typical for an insurer to assume that severity was also affected.

[69] The OAG argued that by selecting an experience period beginning in 2014, the Applicant chose a relatively low point in the data followed by high volatility, increasing the severity trend. The OAG suggests a more appropriate start date for the model would be 2016, without excluding any data points thereafter. The OAG's alternative model does not include any scalar for this coverage.

[70] The Applicant responded that they had observed one-time pandemic era dynamics such as changes in claims development, court slowdowns and settlement patterns, that temporarily altered severity and development of Bodily Injury claims. By excluding accident years 2020 and 2021, Belair argued that it had isolated those atypical effects. In addition to this, Belair argued that more claimants are represented by lawyers, which has contributed to higher average severities. Regarding the starting point of the model in 2014, Belair noted that the adjusted R<sup>2</sup> value was best using the selected experience period.

[71] The OAG's proposed model, based on 2016 to 2024 accident years produces a past and future trend of +8.0%. The Panel reviewed the graphical presentation of the data, and after considering the parties' arguments respecting the relative strengths of each model, the Panel was not persuaded that the COVID

accident years should be excluded from the BI severity model. The Panel determines that the OAG's alternative is more reasonable, and orders that this change be made to the Filing.

### **I. Profit Provision and Standard Formula**

[72] Belair assessed its target return on premium of 4.95% using a new model, relying on a cost of capital approach. The methodology based on internal models is more complex and reflects the special features of the company. Instead of adopting a simpler, standardized formula as suggested by the OAG, Belair sought to adopt a process that is argued to be more realistically tailored to the company.

[73] Part of the role of the Intervenors and, indeed, the Panel, is to review an Applicant's processes and methodologies to ensure that they are reasonable and appropriate. While the spreadsheet containing the Applicant's formula had been shared by Belair with the OAG's expert, there were several hardcoded inputs within the spreadsheet that could not be assessed for reasonableness. Model inputs and treatment of certain items were updated to align with IFRS 17 in comparison to past years, which required additional review.

[74] In calculating its Premium to Surplus ratio, Belair takes a unique approach in considering separately tangible equity and non-tangible equity. Belair used a starting point of a target ROE of 12%. From that, it employed the minimum capital test (MCT) framework, a risk-based approach of determining capital needs. Belair argued that this approach reflects the particular features of its business and associated risk.

[75] Belair stressed that in the model, the premium to surplus ratio is used as a benchmark to test for reasonableness, it is not a starting point to determine the return on premium. Using Belair's MCT model, the target ROE as an input, the required ROP is calculated. The premium to surplus ratio is a relationship between the return on premium and the ROE. Belair argued that the premium to surplus ratio of 1.51:1 is appropriate considering its capital needs and reflects part of equity in the form of "goodwill" resulting from recent company acquisitions. When Belair uses ROE to determine their profit provision, they judgmentally add 69% of their tangible equity.

[76] Belair's capital needs are argued to be different from others in the industry because of its unique intangible assets. The OAG and CAI questioned whether this choice of asset structure ought to be a financial burden to policy holders.

[77] At the Hearing, Belair's witness was cross-examined about the benefits to the consumer from this inclusion of goodwill in the calculation of the profit provision. While the witness stated that building the brand creates synergies, none of the evidence at the Hearing demonstrated that there were benefits to any policyholders such as reduced expenses.

[78] The OAG argued that it was appropriate to remove all intangible assets from the calculation.

[79] The Panel accepts that Belair may use a model more tailored to its own resources and circumstances. However, the Panel was not persuaded that it was reasonable to treat intangible assets / goodwill as appropriate assets to be considered within the model. The Panel ordered that the Applicant provide alternative indications based on the complete or partial removal of the return on intangible equity from its model. In its response, as noted above the Applicant attempted to support its position and methodology by providing additional evidence. The Panel determined, however, that it would not consider the additional evidence as the Hearing process was already concluded, subject only to specific requests from the Panel for amended indications. The Applicant may seek to introduce such evidence in future filings.

[80] The Panel reviewed the Applicant's responses to the request and remained of the view that the inclusion of intangible assets was not sufficiently supported and would increase indicated rates unreasonably. The Applicant is ordered to remove the adjustment for goodwill/ intangible assets.

### **J. Usage Based Insurance (UBI)**

[81] Several years ago, Belair's sister company, Intact Insurance Company, introduced a usage-based insurance program (i.e., "2.0") which, was not adopted by Belair when it started doing business in New Brunswick. Usage based insurance is, in Belair's submission, a customized way to reflect true risk. It attempts to track driving behaviours/ patterns and link them to the particular policyholder's rates. The ideal outcome is fairer prices aligned with underlying risk. In the current Filing, Belair seeks to adopt an updated version ("4.0") of what Intact has been using for some time. This updated program has new

features, new variables and new data requirements. The program analyses 47 driving behaviour variables based on 5 types of driving behaviour events: acceleration, hard braking, hours monitored, kilometers driver and trips taken. The relative importance of each variable was assessed for each coverage based on actuarial and statistical judgment; variables that improved the models were retained in the analysis.

[82] Compared to other programs, the proposed 4.0 will not provide only a discount structure but will use rating relativities. Behaviours that Belair deems 'riskier' would result in higher rates and the Driving Score would be updated only once per year.

[83] The introduction of this program would not impact indicated average rate level changes because the program would be introduced in a manner to produce overall rate neutrality. However, on an individual level, some policyholders would pay higher rates because of a discount offered to others. Therefore, there is an impact on rates at the individual policyholder level.

[84] The program creates a driving score for its insureds, based on the following formula.

$$\text{Driving score} = \text{Distracted Driving Score} * \text{Driving Behaviour Score} * \text{Segment Offset Factors}$$

[85] The OAG raised several concerns with the proposed program, which it argued would punish policyholders monetarily for driving behaviour that was not contrary to any laws or rules, for instance handsfree driving. In addition, Belair proposed to discard data regarding trips where the average speed of the trip was logged at >130 km/hr since the Applicant has not stated whether they could determine if these events result from faulty readings or fast drivers.

[86] Another concern raised by the OAG was Belair's proposal that the UBI variable be used in the rating of the comprehensive coverage which is a non-moving coverage. Belair argued that there may be a relationship between driving behaviour and how a person treats their vehicle, thereby impacting the comprehensive coverage.

[87] Also, in relation to this program, the CAI raised concerns with the associated consent, and the suggestion that there is no time limitation on the validity of the consent.

[88] The Panel was not persuaded by the Applicant that the new program is reasonable, for the reasons cited by the OAG. Accordingly, the Panel does not approve the introduction of UBI 4.0 for Belair.

[89] While there were also real concerns raised regarding the terms and conditions and the consent, the Panel did not take these into account in this decision as the review of consent is beyond the Board's purview of the consideration of whether rates proposed to be charged are fair and reasonable.

#### **K. Credit Score**

[90] In his written submission, and at the Hearing, the CAI raised concerns regarding the use of credit score for the purposes of evaluating the risk of a particular policyholder. The CAI also raised concerns with the wording and impact of the consents used by Belair for the collection of policyholders' data.

[91] While the CAI questioned the connection between a credit score and the propensity of a policyholder to make a claim, this Board has accepted and does accept the correlation (not necessarily a causation) between the two. This is referred to in the Record at page 899. This correlation leads the Board to conclude that it is a valid rating variable that appropriately measures risk, and while the variable is proscribed in some jurisdictions by legislation, it is not proscribed in New Brunswick.

[92] With respect to the CAI's raised concerns about the Consent, the Panel understands the issues and concerns. However, as was the case in the consideration of the UBI-focused consent, the Panel notes that the Board holds a mandate only with respect to the supervision of Automobile Insurance rates, not automobile insurance more generally. The Panel concluded that it was not within its scope of authority to consider or comment upon the contractual relationships between the insurer and an insured, except insofar as those relationships are rate related. The consent was not part of the Record.

#### **4. Decision**

[93] 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 and provide amended indications and impacts resulting from the adjustments to assumptions set out in paragraph 8, above.

[94] In addition, the Panel finds that the Applicant’s proposed new Usage Based Insurance (UBI) pricing program is not just and reasonable. The Applicant may not adopt a UBI program at this time. The Panel recognizes that this decision will impact the off-balance factors.

[95] The approved rate changes by coverage are:

Coverage	Approved Rate Change
Bodily Injury (TPL-BI)	+0.85%
Property Damage (TPL-PD)	+0.85%
Property Damage – Direct Compensation (DCPD)	+19.04%
Accident Benefits (AB)	-7.99%
Uninsured Auto (UA)	+1.10%
Collision (COL)	+6.88%
Comprehensive (COM)	+31.46%
Specified Perils (SP)	+31.46%
All Perils (AP)	+34.16%
Underinsured Motorist (UM) – SEF44	+11.56%
<b>Total</b>	<b>+11.47%</b>

[96] The approved rates will be effective on June 14, 2026 for new business and August 13, 2026, for renewal business.

Dated at Saint John, New Brunswick, on May 28, 2026.

Signed per original

---

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

WE CONCUR:

Signed per original

---

Mr. Georges Leger, Board Member

Signed per original

---

Ms. Rachel Arseneau-Ferguson, Board Member