

**NEW BRUNSWICK INSURANCE BOARD**

**IN THE MATTER OF:**

a rate revision application for the:

**Facility Association**

With respect to automobile insurance rates for:

**Commercial Vehicles**

Written Hearing Dates: August 26-27 and September 15, 2025

<b>PANEL:</b>	Chair	Ms. Marie-Claude Doucet, LL.B.
	Member	Ms. Francine Kanhai
	Member	Mr. Georges Leger
<b>Applicant:</b>	Facility Association	Mr. Philippe Gosselin
		Ms. Fadia Charbine
		Mr. Ernest Wan

**Decision Rendered:** October 06, 2025

## Summary

- [1] Facility Association (the "Applicant" or "FA") filed an application to revise rates (the "Filing" or the "Application") with respect to automobile insurance rates for Commercial Vehicles ("Comm") in New Brunswick. FA presented its filing to the New Brunswick Insurance Board (the "Board") based on an overall rate change indication of +9.00% and proposed an overall average rate increase of +9.00%. FA does not propose any capping.
- [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 August 26-27, 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"). The CAI and OAG each advised the Board of their respective decisions to not intervene in this matter.
- [4] Following deliberations on August 26 and 27, 2025, the Panel requested that the Applicant provide amended indications and impacts resulting from the following adjustments to assumptions:
  1. In the determination of the Loss Trend for Comprehensive, modify the frequency trend to 0%.
  2. Maintain the design matrix used to determine the Loss Trend for Direct Compensation Property Damage, including the New Normal scalar. However, in the determination of the Trended Ultimate Losses (column [16] in the Actuarial Justification, exhibit D-1), remove the effect of the New Normal scalar on the Loss Cost Projection Factor (column [15] in the Actuarial Justification, exhibit D-1).

The baseline for the revisions is the filed indication (or +9.00%) dated April 28, 2025. The revised indications should show the impact for each of these 2 items separately, as well as for all items combined.

- [5] The Panel requested that the Applicant revise and confirm the proposed rate changes by coverage as

well as overall. In addition, the Applicant was asked to provide an updated rationale for deviations from the indications, if any.

[6] The Applicant responded to the request on September 8, 2025, with the additional information and exhibits. The combined effect of the required changes, as set out in paragraph [4], was a decrease to the Applicant’s overall indication from +9.00% to +7.97%. FA modified its proposed overall rate change to the same level of +7.97%.

[7] The Panel, after examining all of the evidence, including the response of September 8, 2025, 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 Panel’s request for revised assumptions.

[8] The Panel finds that FA’s revised proposed average rate change is just and reasonable in the circumstances and FA is **approved to adopt the proposed average rate change of +7.97%**.

[9]The approved rates will be effective 100 days post approval for new business and 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
1.	01	Original Commercial Rate Filing	March 14, 2025
	02	Round 1 Questions from NBIB	March 27, 2025
	03	Round 1 Response to NBIB	April 1, 2025
	04	Round 1 Questions from KPMG	April 2, 2025
	05	Round 1 Response to KPMG	April 7, 2025
	06	Round 2 Questions from KPMG	May 20, 2025
	07	Round 2 Response to KPMG	May 22, 2025
	08	KPMG Storyboard	May 28, 2025
	09	Request for Amended Assumptions	September 3, 2025
	10	Response to Request for Amended Assumptions	September 8, 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 to further investigate its rates.

### **Procedural History**

[12] The Applicant filed this Application for the Comm category on March 14, 2025. The overall rate level change indication of the Filing was +9.00% and the Applicant sought an overall average rate increase of + 9.00% (no capping).

[13] The Board issued a Notice of Hearing on June 19, 2025, and convened a Panel of the Board to conduct a Written Hearing on the matter. Neither the OAG nor the CAI participated as an intervenor.

[14] Prior to the Hearing, in addition to the Filing, additional information and clarification was generated; the Board posed several questions to the Applicant through questions from the Board's staff and its actuaries, and the Applicant responded to all questions posed.

[15] The Hearing into this Application took place on August 26 and 27, 2025, and thereafter a request for assumption adjustments was delivered to the Applicant, to which a response was received on September 8, 2025. The Applicant's response was placed before the Panel and this decision finalized thereafter.

## 2. Evidence and Positions of the Parties

### Facility Association

[16] FA is an association of insurers who are licensed to write policies in the province and nationwide. The FA's mission is to administer automobile insurance residual market mechanisms, enhance market stability, and guarantee the availability of automobile insurance to those eligible to obtain it.

[17] The Applicant's Filing formed the main portion of evidence before the Panel.

[18] FA presented its Filing to the Board with an overall original rate change indication of +9.00% and proposed an overall average rate increase of +9.00%.

[19] The following table summarizes the indicated and proposed rate changes by coverage:

Coverage	Indicated	Proposed (No Capping)
Bodily Injury (TPL-BI)	+22.40%	+22.40%
Property Damage (TPL-PD)	included with BI	included with BI
Property Damage – Direct Compensation (DCPD)	-2.70%	-2.70%
Accident Benefits (AB)	-1.80%	-1.80%
Uninsured Auto (UA)	+2.50%	+2.50%
Collision (COL)	-3.50%	-3.50%
Comprehensive (COM)	+5.70%	+5.70%
Specified Perils (SP)	-5.70%	-5.70%
Underinsured Motorist (UM) – SEF44	+3.80%	+3.80%
<b>Total</b>	<b>+9.00%</b>	<b>+9.00%</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%, a target Return on Premium of +6.47%, an investment rate on cash flow (discount rate) of +3.96%, an after-tax investment rate on capital (IRS)

of +3.96%, and a 2.00:1 premium to surplus ratio. Proposed average rates would increase from the current average premium of approximately \$2,529 to approximately \$2,756 (no capping).

[21] FA states in its Filing that its purpose is to ensure availability of automobile insurance to those who are eligible, delivering on this promise through the efficient administration of residual market mechanisms and providing information to members. It strives to enhance market stability, it argues, through minimizing its market presence and impact, to provide consumers with the benefits of a healthy and competitive standard insurance market.

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

[22] The Panel has reviewed all the evidence before it, including the questions posed by the Board and its actuaries, and the responses from the Applicant.

[23] The Panel recognizes and accepts the actuarial expertise of the Applicant's actuaries who prepared the Filing and responded to the various inquiries.

[24] As set out below in more detail, the Panel did not accept the Applicant's evidence as satisfying its evidentiary burden that the proposed rates are just and reasonable and required that some of the assumptions be modified.

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

- a) Loss Trend – Property Damage
- b) Loss Trend - Comprehensive
- c) COVID-19 and New Normal
- d) Treatment of Large Losses
- e) Weights
- f) Discount Rate

**A. Loss Trend – Property Damage**

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

[27] 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.

[28] For the Property Damage coverage, FA selected a severity trend of +4.2% after modelling data from 2004H1 to 2023H2. The adjusted R<sup>2</sup> value associated with this model is 25.9%, which indicates a relatively low degree of statistical support for the selected trend. At that level, the assumption of a 0% severity trend cannot be rejected. The removal of the severity trend would reduce the overall rate indication by -0.1%. In providing this sensitivity, for this trend and others, FA argued that a 0% trend would not be appropriate, as a 0% trend could result from:

- A. The predictor variables do not contribute any additional information beyond what the mean of the dependent variable already provides, and the model yields an R<sup>2</sup> value of 0%.
- B. The data contains measurement error or random noise, and the model yields a low R<sup>2</sup>.
- C. With sparse data and few observations and the model yields a low R<sup>2</sup> due to limited information.
- D. If the response variable has high variability, it becomes harder to explain using predictors.

[29] However, the Applicant provided little rationale to explain the upward trend, which would have been helpful for the Panel's review.

[30] With the poor statistical results for the severity trend, the Panel considered the level of volatility for this short-tail coverage and closely considered the visual evidence found at page 196 of the Record of Hearing. This evidence clearly demonstrated for the Panel a slight increase in severity over time, albeit while also displaying significant variability. The Panel also compared the trend with the Applicant's

selected collision and comprehensive trends, and the magnitudes are similar. The Panel concluded that the overall evidence was sufficient to support the proposed trend of +4.2%.

**B. Loss Trend - Comprehensive**

[31] For the Comprehensive coverage, FA selected a frequency trend of +1.0%, with an adjusted R<sup>2</sup> of only 23.3%. Again, at this level, a 0% frequency trend cannot be rejected. For sensitivity purposes, it was confirmed that the removal of this trend would reduce the overall rate indication by 0.5%.

[32] The Applicant's proposed trend of +1.0% is not supported by the R<sup>2</sup> value of the modelling, nor was the Panel persuaded upon visual inspection of the graphed data that there is a discernable upward trend. The Panel was not provided with sufficient rationale to overcome the poor R<sup>2</sup> associated with the model. The Applicant is ordered to modify the frequency trend to 0%.

**C. COVID-19 and New Normal**

[33] In the previous filing, FA included a COVID-19 adjustment factor for accident years 2020-2022, adjusting 2020-2022 losses to pre-COVID levels. At that time, there was no factor or adjustment for a 'new normal,' post-COVID-19, environment.

[34] In the current Filing, the Applicant includes a COVID-19 adjustment factor at 2020H1 and also a new normal adjustment at 2021H2/2022H1 for both severity and frequency trends.

[35] For frequency, the modelling reflects that there are fewer claims post-COVID, compared to the period before. This is a logical conclusion given the higher rate of remote work, and resultant fewer vehicles on the roads.

[36] With respect to severity, the recent environment has included unusual inflation, which impacts the cost of parts, used vehicles and other expenses. While the sharp inflationary peak has subsided, its ongoing impact is captured by the new normal adjustment in the Applicant's modelling.

[37] Together, the Applicant's analysis assumes that 2022 and 2023 are at the post-COVID ("new-normal") level, with prior years adjusted to the lower frequency and higher severity levels, where applicable.

[38] The Panel determines that the Applicant's approach to the COVID-19 adjustments for the BI, AB, PD, Comprehensive, and Collision coverages are all reasonable.

[39] For the Direct Compensation Property Damage (DCPD) coverage, the Panel compared the graphic and other evidence for the severity model with the same evidence related to other short-tail coverages, particularly the Collision coverage. The Panel would expect similar results between the Collision and DCPD coverages as the cost are driven by similar factors. The modelled results, however, are materially different, with a new normal adjustment applied for DCPD but not Collision, leading to an inquiry into the cause of this difference.

[40] Nothing in the Filing persuasively explains the difference. Most insurers adjust for the potential impact of atypical large losses, so that they do not become confused with a true trend. FA does not adjust for large losses, rather the data points are simply contained within the graphed data and used to support a scalar in severity. There is a potential, then, that the modelled severity trend for DCPD may be capturing large losses rather than inflation, which should be treated differently. While the modelling appears reasonable on its face, it must also align with the data and the environment in which it is gathered. In this case, it does not.

[41] The Panel finds that there is insufficient support for the new normal adjustment for the DCPD coverage, and an unexplained inconsistency in approach compared with other short-tail coverages. The Panel orders that the adjustment be removed.

***D. Treatment of Large Losses***

[42] As noted above, FA does not separate large losses in its analysis, as the data is not readily available to it. The evidence confirms that for the BI coverage, large losses were present for accident year 2019. Most insurers will cap those large losses and insert a large loss adjustment factor.

[43] FA could not calculate a large loss adjustment factor due to the restricted data available and therefore the Board's consulting actuaries questioned the appropriateness of spreading the analysis over 10 years of data, instead of 6 years, to distribute the effect of the large losses over a longer period. FA responded that it would not be appropriate to do so because of the many changes in the environment over that period – HST, COVID-19, new normal, portfolio changes and the new economic environment.

[44] The Panel agrees with the Applicant that the changes in environment, particularly the pandemic, post pandemic and new economic environment speak against a 10-year data analysis for this purpose. The most recent 6 years of data has greater relevance and is more predictive.

[45] However, the inclusion of large losses in FA's indication analysis, without adjustment, is a weakness, and introduces volatility year over year which is detrimental to policyholders. While the development factors derived from the analysis are accepted as reasonable for the purposes of this Filing, the Panel strongly encourages FA to move forward on its previously promised steps to obtain, and include the analysis of, the large loss data in its filings. The inability to do so has been noted over many years, and as is evident in this Filing, is negatively impacting the Board's ability to assess reasonableness of rates pursuant to its statutory mandate. FA is encouraged to fill this data gap before its next filing or provide a fulsome update on its efforts to do so.

#### **E. Weights**

[46] As it did in its previous filing, FA proposes to weight the data for the 2020 and 2021 accident years at 10%, while the remaining 4 years (2018, 2019, 2022, 2023) are each weighted at 20%. This is done to limit the impact of COVID-19 period losses, while reflecting the most recent experience.

[47] The Panel viewed this approach as a reasonable one. While there are other adjustments made to attempt to make the experience during those years as representative as possible, these measures are imperfect and leave lingering uncertainty. As such, placing less weight on these uncertain years is a reasonable and appropriate approach.

#### **F. Discount Rate**

[48] In rate making, insurers must estimate the discount rates that are expected to be in place in the prospective period, to represent current circumstances and the best expectation of the near future.

[49] The Applicant has assumed an investment yield of +3.96% based on a 12-month average of Canadian Corporate and Government Bond yields, as of December 31, 2024.

[50] The last time FA appeared before the Board at a hearing, in 2023, that panel noted that a 12-month rolling average tended to be a reasonable approach in a relatively stable economic environment, but it was sub-optimal in a quickly changing environment. Therefore, that panel required FA to use a three-month average, rather than 12 months. However, the current 2025 economic environment is generally considered more stable than that of 2023, with fewer rate changes by the Bank of Canada. As such, the Panel concludes that the Applicant's approach of using a 12-month rolling average is a reasonable one for 2025.

#### **4. Decision**

[51] For the reasons set out above, the Panel finds that the 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. In the determination of the Loss Trend for Comprehensive, modify the frequency trend to 0%.
2. Maintain the design matrix used to determine the Loss Trend for Direct Compensation Property Damage, including the New Normal scalar. However, in the determination of the Trended Ultimate Losses (column [16] in the Actuarial Justification, exhibit D-1), remove the effect of the New Normal scalar on the Loss Cost Projection Factor (column [15] in the Actuarial Justification, exhibit D-1).

[52] The following revised applications and proposed rate changes are approved:

Coverage	Original	Revised September 2025	Proposed and Approved
Bodily Injury (TPL-BI)	+22.40%	+22.33%	+22.33%
Property Damage (TPL-PD)	Included with BI	Included with BI	Included with BI
Property Damage – Direct Compensation (DCPD)	-2.70%	-5.88%	-5.88%
Accident Benefits (AB)	-1.80%	-1.82%	-1.82%
Uninsured Auto (UA)	+2.50%	+2.46%	+2.46%
Collision (COL)	-3.50%	-3.47%	-3.47%
Comprehensive (COM)	+5.70%	+2.63%	+2.63%
Specified Perils (SP)	-5.70%	-5.68%	-5.68%
Underinsured Motorist (UM) – SEF44	+3.80%	+3.81%	+3.81%
<b>Total</b>	<b>+9.00%</b>	<b>+7.97%</b>	<b>+7.97%</b>

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

Dated at Saint John, New Brunswick, on October 06, 2025

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

WE CONCUR:

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Ms. Francine Kanhai, Board Member

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Mr. Georges Leger, Board Member