

NEW BRUNSWICK INSURANCE BOARD

IN THE MATTER OF:

a rate revision application for the:

Intact Insurance Company

With respect to automobile insurance rates for:

Private Passenger Vehicles

Oral Hearing Dates: February 25 and February 26, 2026

PANEL:

Chair	Ms. Marie-Claude Doucet, LL.B.
Member	Mr. Georges Leger
Member	Ms. Rachel Arseneau-Ferguson

Applicant: Intact Insurance Company 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 Insurance Mr. Marc Roy, LL.B.

Decision Rendered: April 28, 2026

Summary

- [1] Intact Insurance Company (the "Applicant" or "Intact") 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. Intact presented the Filing to the New Brunswick Insurance Board (the "Board") based on an overall average rate level change indication of +13.69% and proposed an overall average rate level increase of +13.50% before capping and +12.90% after 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 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. *Removing the manual adjustments in the selection of Bodily Injury ultimate losses (i.e., column (8) on page 123 of 988 [sic] of the Record of Hearing).*
 2. *Removing the ELR adjustment in the selection of the Expected Loss Ratio for Bodily Injury and Accident Benefits (i.e., column (18) on pages 189 and 190 of the Record of Hearing).*
 3. *Using the excess inflation adjustment based on New Brunswick experience only (i.e., in columns (17) to (19) of page 221 of 988 [sic] of the Record of Hearing).*
 4. *Using a Bodily Injury future frequency trend assumption of -6.00%.*
 5. *Using a Bodily Injury past/future severity trend based on accident years 2014 to 2024 excluding 2020 and 2021.*

6. *Using a DCPD past/future frequency trend assumption of -4.20% (i.e., Custom #1 on page 975 of 988 of the Record of Hearing).*
7. *Using an Accident Benefit past/future severity trend assumption of 0.00%.*
8. *Applying the following assumptions for the “Deduction % of Tangible” in the calculation of the profit provision:*
 - a) 0%
 - b) 25%
 - c) 35%
 - d) 50%
9. *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] In addition, the Panel requested that the Applicant provide revised separate indications for each individual change and a revised combined indication that reflects all changes, to allow the Board to understand the individual and combined impact of the changes.

[6] The Applicant responded to the request on March 13, 2026 with revised indicated average rate levels with these changes in assumptions. This response was later revised on March 18, 2026, to provide the average rate level changes to two decimal places. The changes that reflect the amended assumptions as set out in Paragraph [4], result in a decrease to the Applicant’s overall indication from +13.69% to a range of +1.37% to +6.05% 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, Intact’s March 13th and 18th 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 of the evidence and submissions made by the parties, finds 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), (4), (5), (6), (7), (8a) and (9) set out in the request for assumption adjustments. With those revisions, the Applicant's revised indicated overall average rate level change is +1.37% and the Applicant is approved to adopt that rate change.

[9]The approved rates will be effective on June 23, 2026, for new business and July 23, 2026, for renewal business.

Exhibits

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

EXHIBIT	TAB	DESCRIPTION	DATE
1	.01	Original Private Passenger Rate Filing	July 15, 2025
	.02	Round 1 NBIB Questions to Applicant	August 11, 2025
	.03	Round 1 NBIB Additional Request to Applicant	August 13, 2025
	.04	Round 1 Applicant Response to NBIB Additional Request	August 14, 2025
	.05	Round 1 Applicant Response to NBIB	August 15, 2025
	.06	Round 1 Eckler Questions to Applicant	August 22, 2025
	.07	Round 1 Applicant Response to Eckler Part 1	September 9, 2025
	.08	Round 1 Applicant Response to Eckler Part 2	September 18, 2025
	.09	Round 2 Eckler Questions to Applicant	October 8, 2025
	.10	Round 2 Applicant Response to Eckler	October 10, 2025
	.11	Actuarial Report – Eckler	October 29, 2025
	.12	Round 3 NBIB Questions to Applicant	October 31, 2025
	.13	Round 3 Applicant Response to NBIB	November 4, 2025
	.14	Round 1 OAG IRs to Applicant	December 17, 2025
	.15	Round 1 Applicant Response to IRs	January 16, 2026
	.16	Round 2 OAG IRs to Applicant	January 23, 2026
	.17	Round 2 Applicant Response to IRs	January 30, 2026

	.18	Round 2 Applicant Response to IRs updated to include available data for other coverages	February 4, 2026
	.19	Intervenor Report	February 9, 2026
	.20	Final Written Submission – CAI	February 10, 2026
	.21	Final Written Submission – OAG	February 13, 2026
	.22	Final Written Submission - Applicant	February 13, 2026
	.23	CAI Requested Hearing Documentation from Applicant	February 26, 2026
	.24	Board Request for Revisions	March 9, 2026
	.25	Applicant Response to Board Request for Revisions	March 13, 2026
	.26	Board Request for Revisions Follow Up	March 16, 2026
	.27	Applicant Response to Follow Up	March 18, 2026
	.28	Board Requesting Confirmation If Intact is Impacted by Issues that Affected Belair Recalculations	March 23, 2026
	.29	Applicant Confirmation that Intact is Not Impacted by Issues that Affect Belair Recalculations	March 23, 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. 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 July 15, 2025. The original overall average rate level change indication of the Filing was +13.69% and the Applicant proposed an overall average rate level increase of +13.50% before capping (+12.90% after capping).

[13] Following questions from the Board staff and then the Board's consulting actuaries (Eckler), the Applicant made several pre-Hearing amendments to its Filing, with no revisions to its indicated or proposed average rate level changes.

[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 in the Hearing.

[15] Prior to the Hearing, additional information and clarification was generated; a number of 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 a response was received on March 13, March 18, and March 23, 2026. Those responses were placed before the Panel for continued deliberations, and this decision was finalized thereafter.

2. Evidence and Positions of the Parties

Intact Insurance Company

[18] Intact presented its Filing to the Board with an overall original indicated average rate level change of +13.69% and proposed an overall average rate level increase of +13.50%, before capping.

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

Coverage	Indicated	Proposed (before capping)	Proposed (after capping)
Bodily Injury (TPL-BI)	+29.98%	+26.90%	+26.50%
Property Damage (TPL-PD)	-22.83%	Incl. in BI	Incl. in BI
Property Damage – Direct			
Compensation (DCPD)	+1.09%	+1.00%	+0.60%
Accident Benefits (AB)	+6.52%	+8.00%	+7.60%
Uninsured Auto (UA)	+17.88%	Incl. in AB	Incl. in AB
Collision (COL)	+7.85%	+7.40%	+6.90%
Comprehensive (COM)	+15.41%	+15.00%	+14.00%
All Perils	-1.24%	+10.60%	+10.00%
Specified Perils (SP)	Incl. in Comp.	+15.30%	+14.50%
Underinsured Motorist (UM) – SEF44	+30.36%	0.00%	0.00%
Total	+13.69%	+13.50%	+12.90%

[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 +11.88% with proposed rate change), a target Return on Premium of +5.11%, an implied Return on Premium of +4.99%, an investment rate on cash flows (discount rate) of +3.25%, an after-tax investment rate on capital (IRS) of +3.25%, and a 1.46:1 premium to surplus ratio. The proposed average premium would increase from the current average premium of approximately \$1,155 to approximately \$1,305 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:

- *Higher net trend for our book of business than rate filing threshold of 3% for Hearing.*

- *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 963]

[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. Intact argued that rate increases are necessary due to increasing pressures in a rapidly changing environment.

[23] Intact acknowledged that in the past it has been taking increases lower than its indicated average rate level changes in order 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 +1.4%.

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, particularly with respect to ROE and ROP. In addition, the CAI's submission raises concerns including the use of credit score as a rating variable, and the Applicant's Usage Based Insurance Pricing.

3. Analysis and Reasons

[27] The Panel has reviewed and carefully considered all of the written evidence in the Record including the Filing, the responses to the interrogatories, the final submissions from all parties and the alternative calculations provided on March 13 and 18, 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 Intact 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 Intact must make the changes to its Filing set out in paragraph [8] above, and may adopt the amended indicated average rate level change of +1.37%.

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

- A. Adjustments to Ultimate losses
- B. Experience Period Weights and COVID – 19
- C. Loss Trends – DCPD Frequency
- D. Loss Trends – Bodily Injury Frequency
- E. Loss Trends – Bodily Injury Severity
- F. Loss Trends – Accident Benefits Severity
- G. Loss Trends – Comprehensive Severity
- H. Profit Provision and Standard Formula
- I. Complement of Credibility
- J. Usage Based Insurance (UBI)
- K. Credit Score

A. *Adjustments to Ultimate Losses*

[32] In order to analyze historical data for the purpose of rate making, historical losses must be actuarially developed to their estimated ultimate value to account for claims which have not yet been closed, or claims not yet reported. There are different methods that actuaries may employ in order to develop or forecast these ultimate claim levels. The Applicant made two types of adjustments to the methodologies used in its development analysis: 1) manual adjustments to ultimate losses for Bodily Injury and 2) judgmental adjustments to the selected expected loss ratios in the ELR method for Bodily Injury and Accident Benefits.

[33] Intact adjusts the ultimate losses for Bodily Injury to reflect the slower than historical closure of claims. Where the most recent diagonal of closing ratios differed from the pre-2020 historical average, Intact assumed the experience was at an alternate adjusted development age, which aligned with the observed claim closing status of the accident year. Manual adjustments to ultimate losses were determined then determined based on the difference in the development assumptions corresponding to the original development age and the adjusted development age.

[34] Regarding the Bodily Injury and Accident Benefits coverages, the Applicant employed two methods for deriving the ultimate losses. One of those methods is the Expected Loss Ratio (“ELR”) method, and the

other is the Development Factor Method (“DFM”). It is not unusual for an insurer to consider different methodologies separately for loss development. The use of two different development methods brings the benefit of alternate approaches and is useful in the assessment of the reasonableness of the results.

[35] In this Filing, Intact made an adjustment to the selected Bodily Injury expected loss ratios, so that the results of the ELR method would be more aligned to the DFM results for this coverage. Intact also made an adjustment to the selected Accident Benefits expected loss ratios to reflect severity pressures not reflected in the selections. The OAG was critical of the manual adjustments to the Bodily Injury ultimate losses as well as the adjustments to the Bodily Injury and Accident Benefits expected loss ratios. At the Hearing, Intact’s witness, Mr. Choi, focused on the lower closing ratio which needed to be adjusted for and which he attributed to higher lawyer representation. At the Hearing, when questioned by the OAG regarding the adjustment to the Bodily Injury ELR, Intact responded that it is common actuarial practice to review results for reasonableness and that the results produced by the ELR method prior to adjustment did not seem reasonable therefore an adjustment was made. However, on cross-examination, Mr. Choi conceded that the adjustment was made to bring the Bodily Injury results closer together. He also agreed that the value and strength of multiple methods is independence. Mr. Choi also explained that the adjustments made to the Accident Benefits ELR was to account for severity pressures that were not reflected in the expected loss ratios in order to revert to pre-pandemic severities.

[36] The OAG argued that Intact’s adjustment to the Bodily Injury ELR was counterintuitive to one of the purposes of employing multiple development methods, the determination of a range of results. The OAG argued that the two approaches should be independent.

[37] The OAG argued that both types of adjustments adopted by Intact are unreasonable and unsupported; the suggested alternative was to remove both adjustments. The Panel agrees with the OAG that the rationale for the Applicant’s adjustments was non-persuasive. The Panel agrees that the adjustments are not sufficiently supported by Intact’s evidence and argument, and the removal of both types of adjustments is therefore a more reasonable approach. The Panel orders that this amendment be made to the Filing.

B. Experience Period Weights and COVID-19

[38] For the purposes of its analyses of long-tail coverages, Intact used data from accident years 2019-2024 but excluded accident years 2020 and 2021 by assigning them 0% weight as those years were impacted by the COVID-19 pandemic. The data is not otherwise adjusted to reflect any effect from the pandemic. For the remaining accident years of 2019, 2022, 2023 and 2024 Intact assigned weights to (in the derivation of the overall indications) of 10%/ 30%/ 30%/ 30% respectively for each coverage. Intact submitted that this approach demonstrated an appropriate balance of responsiveness and stability.

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

[40] The exclusion of the 2020 and 2021 experience, according to Intact, was because these accident years were the most impacted from COVID-19 preventive measures. Intact 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 Intact 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 Intact'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.

[41] The OAG's expert witness suggested that Intact'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 critical of Intact's decision to completely remove the 2020 and 2021 experience for long-tail coverages, rather than including it but with adjustments. The OAG also suggested that 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. Intact responded that the 2019 year was less relevant as it was pre-COVID and therefore it was given less weight.

[42] With respect to short tail coverages, the OAG's 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.

[43] Intact 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.

[44] The OAG argued that one better approach would have been for Intact 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 Intact ought to have applied equal weights to the accident years 2022-2024 experience.

[45] 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 Intact's rationale that its methodology sought to be reactive to the changing business environment, while maintaining some stability with the use of the 2019 data (at 10% weight) for the long tail coverages. Consequently, the Panel finds Intact's approach to be reasonable.

LOSS TRENDS

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

[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.

C. LOSS TRENDS - DCPD FREQUENCY

[48] Intact selected a DCPD past and future frequency trend of 0.0% after attempting to fit a trend for 2022-2024 without arriving at a discernible signal. As such, Intact judgmentally adopted 0% as the trend. Intact argued in support of this selection that for short tail coverages like DCPD, the frequency fitted model was not statistically significant, and this implied that there was no discernible trend.

[49] Intact's modelling considered only 3 data points as it excluded the COVID-19 years of 2020 and 2021. Intact argued that its approach in doing so favoured responsiveness over stability for this short tail coverage.

[50] The OAG proposed a different model which employed a mobility parameter reflecting the view that traffic increased at a certain post-COVID 19 point. In the OAG's submission, it is mentioned that the impact of COVID-19 ought to be modelled by including a mobility parameter rather than using trend. As a result, the OAG argued, once the scalar is inserted, the DCPD frequency trend is -3.9%. The adjusted R² of that model is 92.2%, which lends some support to the suggested model. OAG explained that, although the mobility parameter was determined from Canada mobility data, since the trend model is run on New Brunswick data, the parameter's coefficient provides an estimate of the impact on mobility in New Brunswick. Intact suggested that the OAG's model was overfitted, notwithstanding the statistical measures.

[51] The Panel agrees with the OAG's view, that the visual graph of the DCPD frequency trend revealed a downward slope. The Panel considered whether it was thus necessary to have the Applicant adopt the OAG's modelling with its mobility scalar. Instead, the Panel reviewed the Applicant's analysis, which included a number of alternate regressions, with Custom #1 (based on accident years 2014 to 2024 excluding 2020 and 2021) producing a very similar frequency trend (-4.2%), with a high adjusted R² value. The Panel ordered the Applicant to amend its assumption to use the Company's Custom #1 regression.

D. Loss Trends – Bodily Injury Frequency

[52] For its bodily injury frequency trend, Intact selected a -8.1% past trend based on modelling and then judgmentally halved it, to select a -4.0% future trend. In arriving at this selection for the past trend, Intact considered different ranges of experience periods, with varying numbers of data points. Each model, and its resulting trend, with statistical metrics were compared with the others, and a selection was made based on what the Applicant believed displayed the most predictive pattern.

[53] When determining whether there was a difference between bodily injury past and future frequency trends, Intact observed that more recent data points appeared to signal an emerging change in behaviour

or trend. These points visually suggested a flattening of the trend, with less steep of a negative trend. Intact therefore judgmentally chose to temper its selected past trend by half.

[54] The OAG argued that Intact's selected -4.0% future trend is unreasonable. The OAG argued that the 2022-2023 observed change in experience was not, as Intact suggested, a flattening of the trend, but rather a reflection of increased traffic patterns, as a result of the easing of pandemic-related restrictions. Based on OW's analysis, a mobility parameter was inserted in the model which resulted in a frequency trend of -7.8%. This trend, which was consistent with the trend level modelled by Intact, should not be judgmentally severed in half for determining the future trend, according to the OAG.

[55] Intact disagreed with the OAG's suggestion to insert a mobility parameter, and argued that increasing traffic patterns are not one-time events, but rather they occur over a period; therefore, it would be inappropriate to model the pattern as a sudden shift. In Intact's view, the increase in traffic is a continually evolving post-pandemic environment that is projected to continue, and which is not accurately modelled with a scalar.

[56] In support of this assumption (and others), in its responses to interrogatories, final submission, and submissions at the Hearing, Intact relied upon some 2025 data, which was not available at the time of filing. The Panel recognizes that it is necessary to select a cut off date for data when an insurer is preparing a filing. In order to allow for review by consulting actuaries, the Board, the Panel and the Intervenor, 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 in order 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 was updated and disclosed. In all of these circumstances, the Panel is therefore not prepared to consider the 2025 data presented, or arguments based on the 2025 data, that was not available at the time of the Filing. Intact's 2026 filing will of course have the benefit of this additional year of data.

[57] The Panel also notes that the parameter suggested by OW, on behalf of the OAG, was determined using Canada wide observations, not New Brunswick specific experience. Further, it stops in 2022, not

because the different emergence had necessarily ended, but because the report it is based on was no longer published. The Applicant argued that using the report for this purpose, then, is an implicit assumption that the experience in 2023 and 2024 is comparable to pre-COVID all other things being equal and that the metric assigns 100% of the drop in frequency to COVID, which increased a risk of overfitting. Based on these arguments, the Panel did not accept the OAG's alternative as reasonable.

[58] The Panel notes that there is little difference between the parties' proposed past trends of -8.0% or -7.8%. Therefore, the Applicant's past trend model is accepted as reasonable. For the future trend, Intact judgmentally selected $\frac{1}{2}$ of its past trend, or -4.0%. The OAG's suggested alternative is a future trend that is the same as the past trend at -8.0%. Both selections are judgmental, and it is clear to the Panel (as well as the parties) that the negative trend remains; the dispute concerns its magnitude. Therefore, for the purposes of this year's Filing, the Panel requested amended indications that would result from the use of an average of the two judgmental selections, resulting in a future trend of -6.0%, or an adjustment of 25% of the Applicant's selection, rather than the 50% or 0% decreases proposed by the parties.

E. Loss Trends – Bodily Injury Severity

[59] Intact selected a +13.7% trend for the Bodily Injury severity, based on the modelling of data from 2015-2024, again excluding accident years 2020 and 2021. Intact's model produces strong statistical metrics.

[60] 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 by the COVID-19 pandemic. Intact argued that the impact on severity results from a shift in the mix of claims from more minor claims to more costly ones given the likely drop of bumper to bumper claims due to less cars on the road. Intact stated that the higher severities are also caused by high inflation and an increase in lawyer representation, both of which, it argued, have been driving up the value of claims.

[61] The OAG argued that the Applicant's model was not a reasonable one, as it started at a low point in the experience period, 2015, which results in an increase in the trend. OAG believes that the Applicant's model results in an unreasonable measure of cost changes due to its selected end points. Further, the OAG argued that Intact did not adopt the same approach in selecting a future severity trend as it did for

frequency (i.e. judgmentally reducing the trend by half). The OAG's expert proposed a model based on data from 2012 to 2024, including the 2020 and 2021 years, which produced a trend of +10.3%.

[62] With respect to the argued impact of growth in lawyer representation, Intact claimed that the higher percentage of claimants with lawyer representation, which increases the severity of claims. This impact on the long tail coverage, Intact argued, is not a one-time impact and thus is not appropriately modelled using a scalar. The OAG does not suggest the use of a scalar in its severity model either.

[63] Intact stated that it considered a judgmental reduction of the trend by half, as it had done for frequency, but determined this was not the most reasonable approach, as it expected more loss development would emerge for severity than for frequency. In addition, the Applicant compared a number of other models by changing the starting date, and the resulting trends were between +13.0% and +15.8%, confirming Intact's view that a severity trend of +13.7% is reasonable.

[64] At the Hearing, Intact's witness criticized the OAG's proposed model as 4 out of 5 data points were above the modelled line since 2020, suggesting that the model underpredicted the latest few data points. The Panel also observed that the OAG's model did not have a scalar to represent the 2013 legislative change to the Minor Injury Regulation, and questioned the reasonableness of that alternative model.

[65] With respect to the 2015 low point being chosen for the beginning of the model, the Panel shared the OAG's concern and questioned why the 2014 data point was not included in the Applicant's modelling.

[66] The Panel saw no justification for excluding this data point and therefore requested the amended indications that would result from the trend model starting with the 2014 data point, but still excluding the 2020 and 2021 data points.

F. Loss Trends – Accident Benefits Severity

[67] For the Accident Benefits severity, Intact modelled a number of different experience periods before selecting the period 2015-2024, excluding 2019, 2020 and 2021, which resulted in a +4.3% trend for both past and future. The 2020 and 2021 data points were excluded on the basis of COVID-19 impacts, while 2019 was seen as a potential outlier. The resultant model performed well in terms of statistical measures of adjusted R² and p-value.

[68] The OAG acknowledged that the data was quite volatile but suggested that the trend rate had been flattening over the last 5 years. In addition, the broader industry data presented by the Applicant suggested a much flatter trend rate. The OAG's suggested alternative model used the data from 2012, excluding 2019 as an outlier. That model suggested a trend of 0% and showed very poor statistical measures, as often expected for a 0% trend.

[69] Intact responded that while the most recent 5 years of data may suggest a flat trend, the experience period was too short to be considered predictive insofar as Accident Benefits is a long tail coverage. Also, Intact excluded the 2020 and 2021 data points, which fall in that short data set.

[70] The Panel reviewed the evidence in the Record and considered the views of the testifying experts. The Panel agreed with the OAG that the recent data points suggest a flat trend, and was not persuaded that there should be a positive AB future severity trend. The Panel requested amended indications assuming a past/future severity trend of 0%.

G. Loss Trends – Comprehensive Severity

[71] For Physical Damage coverages, Intact'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. Intact's selected comprehensive severity trend is +8.3% for past and future, using 2015-2019 data, all of which pre-dated the COVID-19 pandemic. .

[72] In contrast, the OAG considered data from 2012-2024 and included a scalar to capture the jump in severity in 2021 to reflect excess inflation. With these alternative approaches, the OAG selected a severity trend of +7.2%. The Applicant noted that the statistical measures from this model indicate a very good fit but that visually, the OAG's model fits the data very well in the older periods which is not the case in the more recent periods. Intact argued that the OAG scalar appears to have been applied too early, over-predicting the experience prior to the real jump in the data, and underpredicting thereafter.

[73] Intact calculated its inflation adjustment for physical damage coverages based on CPI data.

[74] Intact did not include 2020-2024 data in its trend model because of the inflation adjustment included in the provincial analysis. In Intact's view, the effect caused by the inclusion of the 2020 to 2024 higher severity data in the trend analysis would have overlapped with the inflation adjustment, thus double counting its impact.

[75] The Panel finds that the scalar proposed by the OAG is not justified in the evidence. With respect to the inflation adjustment proposed by Intact, the Panel determines that an adjustment is appropriate but that it must be based upon New Brunswick data, not Canada or the broader Atlantic Provinces' experience. The Applicant was ordered to make that change to its Filing for all physical damage coverages.

H. Profit Provision and Standard Formula

[76] Intact assesses its target return on premium of 5.1% 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 a company of its size. Instead of adopting a simpler, standardized formula as suggested by the OAG, Intact's Filing sought to adopt a process that is arguably more realistically tailored to the company.

[77] 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 Intact 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..

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

[79] Intact 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 Intact'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. Intact argued that the Premium to Surplus ratio of 1.46 is appropriate in light of its capital needs and reflects part of equity in the form of “goodwill” resulting from its recent company acquisitions. When Intact uses ROE to determine their profit provision, they judgmentally add 69% of their tangible equity.

[80] Intact’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.

[81] At the Hearing, Intact’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 any benefits to any policyholders such as reduced expenses.

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

[83] The Panel accepts that Intact may use a model more tailored to its own resources and circumstances. However, Intact has not persuaded the Panel 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.

[84] 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.

I. Complement of Credibility

[85] For the purposes of its Filing, Intact states that its data is not sufficient in volume to be entirely credible/predictive. To complement its own data, it requires another source and it employs one of the common complement of credibility methodologies, the net trend. Using this method, Intact trends forward the residual indication from its prior filing, the difference between the indicated average rate level change (+6.8%) and the Board approved average rate level change (+3.0%).

[86] The challenge with this approach in the present case, however, is that Intact's prior filing was not subject to a Hearing. Intact's practice over the last 5 years has been to file with the Board indications that are well in excess of +3%, but propose an average rate level change of only +3%, thereby avoiding a Hearing pursuant to the *Act*. Last year for instance, Intact's indicated average rate level change was +6.8% but it chose to request +3%, acknowledging that this was done to avoid the time and expense of a hearing before the Board. The Applicant adopts this approach at its own peril, when it later wishes to rely on those prior indications for calculating the complement of credibility.

[87] The OAG argued that the net trend complement of credibility was not an appropriate methodology for this Filing. It identified several issues within this Filing that it argued were not reasonable, and which could have a significant impact on indications. It argued that it would likely have had similar issues with Intact's prior filing given the chance. Because there was no Hearing, there was no opportunity to review the indications.

[88] Mr. Choi testified at the Hearing that he had not reviewed the prior filing, either at the time of the filing, or prior to this Hearing. He confirmed, however, that someone on the Applicant's team would have done so. Mr. Choi also confirmed that he did not review the underlying assumptions from the last filing, nor would anyone on his team have done so, as a new filing was prepared. He confirmed that the prior Board approval was for the proposed rate, not the indication.

[89] The Board's hearing processes are designed to facilitate a fulsome review, with the input of Intervenors in the public interest. This allows challenges and debate on differing methodologies, selections and assumptions. As can be seen in the various decisions issued by the Board, it is not uncommon for panels to order that assumptions be revised once tested and subject to scrutiny by not just the panel and the

Board's consulting actuaries, but also the OAG, its consulting actuaries, and the CAI. In the absence of a hearing, no decision or determination is made relative to the insured's indications, but rather consideration is given to whether the modest increase of 3% is fair and reasonable on a less fulsome review of the Filing.

[90] In these circumstances, the Panel finds it is inappropriate for the Applicant to use untested indications as a foundation for its complement of credibility analysis. While many assumptions are used year over year, in the case of complement of credibility, no analysis is redone, the determination from the prior year is adopted, as it was at that time, for the purpose of the current analysis.

[91] The OAG suggests that in these circumstances, the residual from the previous indication be removed from the complement of credibility. Intact objected to this alternative, stating that this assumption would indicate that the company was rate adequate going into this Filing. Intact presented data of its combined ratio to suggest that this is not so, for example the graph at page 978 of the Record of Hearing. The OAG's expert suggested that this evidence includes many assumptions, such as allocation of expenses, that are not comparable to the data within the Filing and which cannot be reviewed. Based on this evidence, it cannot, therefore, be necessarily accepted that Intact is not rate adequate. The Panel agrees that the evidence did not persuade whether Intact was or was not, in fact, rate adequate.

[92] The Panel therefore finds that it is not reasonable for the Applicant to use the residual with trend as a complement of credibility for this Filing. The Panel requested revised indications using net trend only as the complement.

J. Usage Based Insurance (UBI)

[93] Several years ago, Intact introduced a usage based insurance program. Usage based insurance is, in Intact'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, Intact proposes to convert or update to a new program (4.0) with new features, new variables and new data requirements. It analyses 47 driving behaviour variables based on 5 types of driving behaviour events: acceleration, hard braking, hours monitored, kilometers

driven 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.

[94] Some of the main differences between the existing UBI program and the proposed program is that it will change discount eligibility, and introduce a new algorithm. It replaces the discount structure with rating relativities. Behaviour that Intact deems 'riskier' will result in higher rates. Further, with the removal of mid-term assessments, the driving score will be only updated once per year at renewal and there are changes to the terms of use.

[95] Overall, the changes would not impact indicated average rate level changes because of rate neutrality, but on an individual level, some policyholders will pay higher rates as a result of a discount offered to others. Therefore, there is an impact on rates at the individual policyholder level.

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

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

[97] 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, Intact 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 have the ability to determine if these events result from faulty readings or fast drivers.

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

[99] 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 that consent.

[100] The Panel was not persuaded by the Applicant that the new discount / surcharges associated with the revised UBI program are reasonable, for the reasons cited by the OAG. 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 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

[101] 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 Intact for the collection of policyholders' data.

[102] 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 553. 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.

[103] 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

[104] 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 and provide amended indications and impacts resulting from the following adjustments to assumptions:

1. Removing the manual adjustments in the selection of Bodily Injury ultimate losses.
2. Removing the ELR adjustment in the selection of the Expected Loss Ratio for Bodily Injury and Accident Benefits.
3. Using the excess inflation adjustment based on New Brunswick experience only.
4. Using a Bodily Injury future frequency trend assumption of -6.00%.
5. Using a Bodily Injury past/future severity trend based on accident years 2014 to 2024 excluding 2020 and 2021.
6. Using a DCPD past/future frequency trend assumption of -4.20% .
7. Using an Accident Benefit past/future severity trend assumption of 0.00%.
8. Applying a 0% assumption for the “Deduction % of Tangible” in the calculation of the profit provision
9. 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).

In addition, the Panel finds that the Applicant’s proposed new Usage-Based Insurance (UBI) pricing program is not just and reasonable. Accordingly, the Panel orders the Applicant to maintain the current UBI pricing model unchanged. The Panel recognizes that this decision will impact the off-balance factors.

[105] The approved rate changes by coverage are:

Coverage	Approved Rate Change
Bodily Injury (TPL-BI)	+4.68%
Property Damage (TPL-PD)	Incl. in BI
Property Damage – Direct Compensation (DCPD)	-12.66%
Accident Benefits (AB)	-6.58%

Uninsured Auto (UA)	-9.47%
Collision (COL)	+3.70%
Comprehensive (COM)	+10.89%
Specified Perils (SP)	Incl. in Comp.
All Perils	-3.70%
Underinsured Motorist (UM) – SEF44	+0.45%
Total	+1.37%

[106] The approved rates will be effective on June 23, 2026, for new business and July 23, 2026, for renewal business.

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

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

WE CONCUR:

Mr. Georges Leger, Board Member

Ms. Rachel Arseneau-Ferguson, Board Member