DECISION **2025 NBIB 235**

NEW BRUNSWICK INSURANCE BOARD

IN THE MATTER OF:
a rate revision application for the:
Definity Insurance Company
With respect to automobile insurance rates for:

Private Passenger Vehicles

Oral Hearing Date: April 29-30, 2026

PANEL:		
	Chair	Ms. Marie-Claude Doucet, LL.B.
	Member	Ms. Francine Kanhai
	Member	Ms. Heather Stephen
Applicant:	Definity Insurance Company	Ms. Nadia MacPhee, 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: July 13, 2026

Summary

[1] Definity Insurance Company (the "Applicant" or "Definity") 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. Definity presented its filing to the New Brunswick Insurance Board (the “Board”) based on an initial overall average rate level change indication of +20.22% and proposed an overall average rate level increase of +14.96% before capping (+14.45% after capping). The indication was later amended to +18.97% with no changes to the proposed rate average rate level changes.

[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 April 29-30, 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, Risk Consulting Services Inc. (“RCS”), while the CAI filed a written submission.

[4] On May 1, 2026, after initial post-Hearing deliberations, the Panel requested additional information, listed as considerations for the selected investment return assumption in Section 4.g.2 of the Board’s current Filing Guidelines:

- New money rates
- Definity’s investment philosophy
- Definity’s investment portfolio assets expected to be held by the insurer on the policyholder supplied funds, and corresponding investment return.

[5] Definity responded on May 8, 2026, to this request for information. The Panel reconvened on May 26, 2026, to review the response from Definity and continue deliberations. Thereafter, the Panel provided Definity’s response to the Intervenors and invited comments. The OAG provided additional

submissions on May 28, 2026, while the CAI had no further comment. Deliberations resumed on June 15, 2026, following which the Panel requested (on June 15, 2026 and clarified on June 16, 2026) that the Applicant provide amended indications and impacts resulting from the following adjustments to assumptions:

[1] Using the Bodily Injury past and future frequency trend resulting from the Alternative model based on Definity data excluding the seasonality and the 2020-1 scalar variables (as suggested by Risk Consulting Services on page 632 of the Record of Hearing) and applying the corresponding COVID-19 adjustment factors resulting from the Alternative model.

[2] Using the Bodily Injury past and future severity trend resulting from the Alternative model based on Definity data excluding the seasonality variable (as suggested by Risk Consulting Services on page 632 of the Record of Hearing). The ultimate losses used in the model should be calculated using the Bornhuetter-Ferguson method for each accident semester.

[3] Using the Bodily Injury future frequency trend resulting from the Alternative model based on industry data starting in 2017-1 (as suggested by Risk Consulting Services on page 630 of the Record of Hearing).

[4] Using the Bodily Injury future severity trend resulting from the Alternative model based on Industry data starting in 2017-1 (as suggested by Risk Consulting Services on page 630 of the Record of Hearing).

[5] Using the Property Damage and DCPD past and future frequency trend resulting from the Alternative model based on Definity data excluding the seasonality and mobility variables (i.e., page 707 of the Record of Hearing) and applying the corresponding COVID-19 adjustment factors resulting from the Alternative model.

[6] Using the Property Damage and DCPD past and future severity trend resulting from the Alternative model based on Definity data excluding the seasonality variable (as suggested by Risk Consulting Services on page 635 of 711 of the Record of Hearing).

[7] Using a past Accidents Benefits Frequency and Severity trend assumption of +0.00%. Given the COVID-19 adjustment factors in the filing are based on the selected Definity frequency trend model, provide updated COVID-19 adjustment factors with a rationale for the selection and use these adjustments in the indications.

[8] Using an investment return assumption of 3.10%.

[6] The Panel also requested that the Applicant provide separate indications for each individual change and an indication that reflects all changes to assess the individual and combined impact of the changes.

[7] The Panel clarified that the selected methodology for the Bodily Injury trends should remain unchanged (i.e., past trend selected based on the Alternative model based on Company data and future trend selected based on the average of the Alternative models based on Company and Industry data).

[8] The Applicant responded to the request on June 22, 2026, with the additional information and exhibits. The combined impact of required changes, as set out in Paragraph [5], resulted in a decrease to the Applicant's overall indication from +18.97% to +14.38%. The Applicant revised the proposed average rate level change by coverage to adopt the revised indications, except for Specified Perils, which was selected to match the change for Comprehensive, leading to a proposed overall average rate level change of +14.38%.

[9] The Panel, after examining all of the evidence and submissions made by the parties, determines that the indications supporting the original proposed overall average rate change must be modified. The Applicant is ordered to incorporate changes to the Filing as per the response of June 22, 2026.

[10] The Panel finds that Definity's amended indicated overall average rate level change of +14.38 % is just and reasonable in the circumstances and Definity is **approved to adopt the overall average rate level change of +14.38%** effective August 6, 2026 for new business and November 4, 2026 for renewal business.

Exhibits

[11] 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 Private Passenger Rate Filing	September 30, 2025
	02	Round 1 NBIB Questions to Applicant	October 17, 2025
	03	Round 1 Applicant Response to NBIB	October 23, 2025
	04	Round 1 Eckler Questions to Applicant	November 3, 2025
	05	Round 1 Applicant Response to Eckler	November 14, 2025
	06	Round 2 NBIB Questions to Applicant	November 17, 2025
	07	Round 2 Applicant Response to NBIB	November 21, 2025
	08	Round 2 Eckler Questions to Applicant	November 25, 2025
	09	Round 2 Applicant Response to Eckler	December 1, 2025
	10	Eckler Actuarial Report	December 11, 2025
	11	Round 1 OAG Questions to Applicant	February 27, 2026
	12	Round 1 Applicant Response to OAG	March 6, 2026
	13	Round 2 OAG Questions to Applicant	March 13, 2026
	14	Round 2 Applicant Response to OAG	March 20, 2026
	15	Intervenor Expert Report - OAG	April 6, 2026
	16	Final Submission CAI	April 10, 2026
	17	Final Submission Applicant	April 13, 2026
	18	Final Submission OAG	April 13, 2026
	19	Applicant Additional Information	April 17, 2026
	20	Alternate Models Referenced by Definity Witness	April 29, 2026
	21	Board Request for Information	May 1, 2026
	22	Applicant Response to Request for Information	May 8, 2026
	23	Board Request for Comments from Intervenors Re Board Request for Information	May 26, 2026
	24	Response from CAI re Board Information Request	May 26, 2026
	25	Response from OAG re Board Information Request	May 28, 2026
	26	Board Request for Revised Indications	June 15, 2026
	27	Applicant’s request for Clarification	June 15, 2026

	28	Board Amended Request for Revised Indications	June 16, 2026
	29	Applicant's Response to Board's Request for Revised Indications	June 22, 2026

1. Introduction

[12] The Board is mandated by the Legislature with the general supervision of automobile insurance rates in the Province of New Brunswick. In order to fulfill that mandate, the Board exercises the powers prescribed by the *Act*. One key responsibility for the Board is to ensure that rates charged, or proposed to be charged, are just and reasonable. Under the *Act*, 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

[13] The Applicant filed this Application for the PPV category on September 30, 2025. The original overall rate level change indication of the Filing was +20.22% and the Applicant sought an overall average rate level increase of + 14.96% (+14.45% after capping).

[14] Following questions from the Board staff and then the Board's consulting actuaries (Eckler Ltd.) the Applicant made amendments to its Filing, with a final indicated overall average rate level change of +18.97% and a proposed overall average rate level increase of +14.96% (+14.45% after capping).

[15] The Board determined that a hearing was required and issued a Notice of Hearing on January 8, 2026 and the Board then convened a Panel of the Board to conduct an Oral Hearing on the matter. The OAG and the CAI both provided notice of their respective intentions to intervene in the Hearing.

[16] Prior to the Hearing, in addition to the Filing, additional information and clarification was generated: the Board and Eckler posed a number of questions and the OAG submitted interrogatories to the Applicant. The Applicant responded to all questions posed, and the answers form part of the Record. The OAG also submitted an expert report authored by Risk Consulting Services Inc.

[17] Pre-hearing written submissions were provided by all parties to the Panel for consideration.

[18] The Hearing took place on April 29 and 30, 2026. Thereafter, additional information and adjustments were sought, with final revised indications delivered on June 22, 2026. The Applicant's response was placed before the Panel and this decision finalized thereafter.

2. Evidence and Positions of the Parties

Definity Insurance Company

[19] At the time of the Hearing, Definity's overall indicated average rate level change was +18.97% and the Applicant proposed an overall average rate level increase of +14.96% before capping (+14.45% after capping).

[20] 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)	+21.34%	+16.00%	+15.50%
Property Damage (TPL-PD)		Included with BI	
Property Damage – Direct Compensation (DCPD)	+19.85%	+16.50%	+15.94%

Accident Benefits (AB)	+6.45%	+3.00%	+2.51%
Uninsured Auto (UA)	+23.02%	+14.14%	+14.14%
Collision (COL)	+19.89%	+15.00%	+14.50%
Comprehensive (COM)	+20.68%	+18.00%	+17.44%
Specified Perils (SP)	+6.94%	+18.00%	+17.60%
Underinsured Motorist (UM) – SEF44	+9.06%	0.00%	-0.29%
Total	**+18.97%**	**+14.96%**	**+14.45%**

[21] The rate indication calculations detailed in the Filing incorporate various assumptions, including an after-tax target return on equity ("ROE") of +11.15% (implied ROE of +7.69%), a target Return on Premium of +6.50%, an implied Return on Premium of +4.07%, an investment rate on cash flow (discount rate) of +2.70% , an after-tax investment rate on capital ("IRS") of +2.70%, and a 2.00:1 premium to surplus ratio. Proposed average rates would increase from the current average premium of approximately $1,083 to approximately $1,239 after capping.

[22] In her final submission at the Hearing, counsel for Definity argued that the assumptions and methodologies used in the filing were sound, reasonable and had been consistent with past filings and prior guidance from the Board. It was argued that the proposed rate increase was just and reasonable and necessary to bring the Applicant closer to rate adequacy.

The Office of the Attorney General

[23] 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, RCS, 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.

[24] The OAG argued that with the alternative and more appropriate assumptions, judgments and calculations, the fair and reasonable overall average rate level indication is +8.12%.

The Office of the Consumer Advocate for Insurance

[25] The CAI provided a written submission to the Panel for consideration and questioned the Applicant's expert witness at the Hearing. The CAI supported the alternatives and assumptions presented by the OAG and its expert actuary, RCS. In addition, the CAI's submission raised concerns including the use of credit score as a rating variable, and the overall reasonableness of the Applicant's proposed rates.

3. Analysis and Reasons

[26] 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 June 22, 2026. In addition, the Panel members carefully considered the evidence and arguments presented at the Hearing.

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

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

[29] The Panel's decision reflects that each model and methodology decision is laced with layers of data, assumptions, and judgement. The onus rests upon 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 Definity must make the changes to its Filing set out in paragraph [5] above, and may adopt the amended indicated average rate level change of +14.38%.

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

A. Loss Trends – Bodily Injury Tort
    a) Based on Company Data
    b) Based on Industry Data
    c) Selection
B. Loss Trends – Property Damage Tort and DCPD
C. Loss Trends – Accident Benefits
D. Investment Return and Return on Premium
E. Return on Equity
F. Credit Score
G. Merger Filing Transition

Loss Trends

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

[32] The selection of loss trends requires, *inter alia,* 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.

[33] In the Filing, Definity uses the output from its trend models to calculate COVID-19 adjustment factors for application in the provincial indications.

[34] For all coverages, Definity selected different trends for past and future. For the past trends, it used its own data for all coverages. However, since the environment in the future period may differ from that of the past trends, increasing the uncertainty on prospective trends and since , Definity believes that its future experience would be more closely aligned with industry wide trends over the short term, the Applicant based the future loss cost trend on the average of industry and company trends for Bodily Injury and Accident Benefits.

A. Loss Trends – Bodily Injury Tort

a) Based on Company Data

[35] When deriving its expected loss ratio to determine ultimate losses or for claim count calculations in its trend model, Definity did not adjust for trend or COVID-19 related impacts. It justified this approach as the resultant ultimate losses and claim counts would then be used to derive trend, leading to bias and circularity. The OAG agreed that incorporating COVID-19 adjustments from trend models would result in a circular dependency.

[36] The OAG was critical, however, of Definity's loss development factors used to determine the ultimate losses for accident periods 2021-2 and 2022-1, as they are significantly higher than surrounding factors. Definity used the Expected Loss Ratio ("ELR") method to bring those claims to ultimate levels, which the OAG argued, resulted in the loss costs beginning in 2021-2 being flat. The OAG's view was that this method was inappropriate in the circumstances and not reflective of the actual losses, suggesting instead that the Bornhuetter – Ferguson ("BF") method was more appropriate for determining the ultimate losses in the trend analysis.

[37] Definity responded that its development factors for 2021-2 and 2022-1 are higher than used in the provincial indications as the ELR method was based on unadjusted and therefore more consistent loss ratios for recent periods and when actual losses are lower than expected, the ELR method will produce larger implied development factors to achieve the assumed ELR. The Applicant explained that the apparent flat loss costs were the result of a stable ELR for the period 2021-2 and 2024-2 to estimate ultimate loss costs. In Definity's view, the ELR assumption was conservative and reasonable for the trend modeling.

[38] The Panel agreed with the OAG's submission, that the BF method was appropriate in the circumstances of this file to reflect both that there was a relative low amount of data, but to the extent it was available, it could reasonably be used to reflect the actual experience.

[39] Evidence at the Hearing from OAG's expert confirmed that Definity had approximately only 40 Bodily Injury claims per year included as part of their data. At such a low volume of claims, volatility can be high, which supports an argument for a longer experience period, particularly on the severity side. Frequency has less volatility as the existence of claims is known well before the severity can be ascertained.

[40] The OAG also suggested a more reasonable approach for the trends modelled by Definity would be to remove seasonality from both the severity and frequency models and the 2020-1 scalar from the frequency model, as the p-values of those parameters indicated that the variables were not statistically significant. The OAG did not dispute the inclusion of the mobility parameter in the frequency trend model, in light of the statistically significant p-value for that factor.

[41] This was a recurring theme throughout the Record, and the Hearing. For this and other coverages discussed below, the Panel favours the approach where a parameter or variable is tested for inclusion in a trend model based on its p-value (using a threshold of 0.05) as a determination of whether it is statistically significant. This also implies that no scalars or other variables should be automatically assumed.

[42] For the future frequency trend, the parties fundamentally disagreed on the slope of the trend; the Applicant argued in favour of a positive trend, while the OAG argued it was negative. The approach of the parties to arrive at these conclusions differed: the OAG approach was to determine the whether a proposed variables ought to be included based on the statistical significance (i.e. p-values less than 0.05) of each, while the Applicant assumed the variables related to COVID, seasonality and mobility applied, by default, then determined which was the best fit, using differing p-values as a ranking score.

[43] The Panel therefore accepts the OAG's alternative modelling for past and future frequency trends, based on Definity's own data which excludes the seasonality and the 2020-1 scalar. The Panel recognizes that this impacts the corresponding COVID-19 adjustment factors used in the provincial analysis and orders these be adjusted as well.

[44] For past and future severity trends based on Definity data, the Panel orders that the seasonality variable be excluded and the ultimate losses be calculated using the BF method for each accident semester (as stated in paragraph [40]).

b) Based on Industry Data

[45] Definity's Bodily Injury industry trend models use only 5 years of data, which does not include any pre-COVID period. The Applicant defends this selection for future trends, due to the industry large volume

of data with greater stability and credibility. It points to the superior adjusted R^2 measures when compared to its models based on internal data.

[46] The OAG's concern with Definity's use of Industry models was that the models only consider five years of data, which, the OAG argued, is a period with varying traffic levels and higher than average inflation. Further, the models included parameters with higher p-values, indicating that they were not statistically significant, specifically the mobility parameter in the frequency model and the seasonality parameter in both models. The OAG recommended models that included data across a longer experience period (i.e., starting in 2017-1).

[47] The Applicant responded to the criticism surrounding the low p-value parameters by arguing that when determining the reasonableness of a model, it considers also consistency with the real world impacts. It emphasized the importance of consistency in modelling across all coverages, as the COVID-19 pandemic had a universal impact on driving behaviour during and after the pandemic. As noted above, the Panel accepts the OAG's position that parameters that are not statistically significant ought not to be part of the selected trend models analysis, at least not without persuasive justification.

[48] The Panel agreed with the OAG that the longer experience was preferable, particularly with the volatility in the more recent periods. The OAG's alternatives with an experience period starting at 2017-1 were stronger statistical models and the Panel overall found them to be more reasonable. The Applicant was ordered to make these changes to the future frequency and severity trends derived from Industry data.

c) Selection

[49] Once the industry and company trends were modelled and selected, Definity set its future trend rate equal to the average of the two. The Intervenors took no issue with that approach, though its trend selections were materially lower. With the amendments to the trend assumptions set out in this Decision, the Panel accepts the methodology used to select the future trends.

B. Loss Trends – Property Damage Tort and DCPD

[50] As was done for the long tail coverage considered above, Definity's frequency and severity models for PD Tort and DCPD included parameters which it argued were selected and included to reflect consistency

with the real-world impacts. For frequency trends, Definity consistently included seasonality, Mobility and the 2020-1scalar parameters, and for severity it included seasonality. These were included notwithstanding p-values that were not statistically significant. Definity argued that these best captured and adjusted for the intended impacts.

[51] The OAG argued that the p-values of those parameters are not statistically significant and therefore their inclusion in the trend models was not reasonable. Further it argued that the loss cost beginning 2022-2 was flatter or more negative than suggested by the Applicant's model. The OAG's alternative removed the parameters which were not statistically significant, which resulted in models that had lower adjusted R^2 values.

[52] Definity judgmentally selected a future frequency trend of 0% based on observed flatter frequencies starting at the end of 2021. As a test of reasonableness, Definity points to the DCPD frequency trend based on industry data which is also flat

[53] The OAG criticized the judgmental selection of a future frequency trend of 0%, noting that the last two projected data points were overstated in the Definity model. It argued that a more reasonable approach would be to select a future trend rate equal to its past trend rate of -1.5%. Definity defended the selection of -2.7% on the basis of an observed frequency shift that started in 2021, which is flatter compared to pre-Covid.

[54] The OAG argued that the parameters with p-values that are not statistically significant are inappropriate, and the OAG also pointed to the lower adjusted R^2 for both the frequency and severity models. The OAG's alternative frequency model retained the mobility parameter and produced a more negative trend. The OAG submitted that a simpler model relying only on statistically supported parameters was preferable.

[55] Definity responded that the OAG's model was not the only reasonable simplified model. During the hearing, Definity presented an alternative model that retained the 2020-1 scalar while excluding the mobility parameter. The resulting model produced an improved adjusted R^2 compared to the OAG model.

[56] For the reasons cited above, the Panel agrees that statistically insignificant parameters ought to be removed from the trend models. Accordingly, the Panel accepts Definity's proposed alternative model presented incorporating the 2020-1 scalar. It is recognized that this will impact the COVID adjustment factor calculation and the Panel orders this to be revised as well.

[57] The seasonality parameter in the Applicant's DCPD severity model is not statistically significant. For the past and future severity trends, the Applicant must adopt the OAG alternative model, based on its own data, and excluding the seasonality variable which is not statistically significant.

C. Loss Trends – Accident Benefits

[58] As it did with the trends discussed above, Definity's frequency trend included parameters to reflect the estimated impact of COVID and new normal variables. For this coverage, only Definity's past trends, both frequency and severity, were criticized by OAG, no issue was taken with the future trends.

[59] Again, the OAG argued that the parameters with p-values that are not statistically significant should be removed from the models, and the OAG also pointed to the lower adjusted R^2 for both the frequency and severity models.

[60] The OAG argued that since the trend parameters for all models have a p-value that suggests the variables are not statistically significant, it suggests that a loss trend of 0.0% is appropriate.

[61] The OAG was critical of Definity's selected shorter experience period for the severity model compared to that of the frequency model. The OAG argued for consistency in approach regarding the length of the experience period. As with other coverages, the Panel concluded that parameters that are not statistically significant ought to be removed from the Applicant's trend models. The Panel also agreed that the experience period suggested by the OAG is more consistent and reasonable and strengthens the quality of the OAG's alternative severity trend model.

[62] The Applicant is therefore ordered to select a past Accident Benefits frequency and severity trend assumption of 0%. Based on the frequency trend, the Applicant is also ordered to provide updated COVID-19 adjustment factors (with a rationale for the selection) and use these updated adjustments in the indications.

D. *Investment Return and Return on Premium*

[63] Definity selected a +2.7% rate for discounting, relying on the average 3-year government bond yield over 2025Q1, with the 3-year term being similar to the duration of the average claim payout. The time period used in the selection of the average yield was aligned with the use of experience data as of 2025Q1.

[64] The selection of +2.7% investment return assumption drew criticism from the OAG as more recent bond rates, as of April 2026, ranged from +2.8 % to +3.9% and in the previous filing Definity had selected +3.8%. During the interrogatory process, Definity confirmed that its Appointed Actuary in the most recent Financial Condition test (FCT) used yield curves with interest rates ranging from +4.05% to +4.78%. In light of this, the OAG suggested that a more appropriate assumption for the rate of return is +3.7%., which is a judgmental assumption based on adding 1% to the Applicant's original assumption of +2.7%.

[65] The Applicant responded that April 2026 rates were not available at the time of filing (in September 2025) and that the referenced upper end of the range reflects longer term bond yields that the average claim payout period of 2-3 years.

[66] The Panel agrees that it is neither realistic nor reasonable to require that data be updated constantly over the course of a filing process. A Filing is completed by using the best available data at that time, and the annual process of the Board's filing requirements ensures that updates to data and assumptions are done reasonably quickly.

[67] On cross-examination, the Applicant was questioned about its selected investment return assumption, confirming that it had not considered new money rates, its investment philosophy and the investment portfolio assets expected to be held by the insurer on the policyholder provided funds, as outlined in the Board's Filing Guidelines. The Applicant did not provide any explanation why these factors were not considered.

[68] On May 1, 2026, the Board requested that the Applicant provide additional information regarding the Applicant's investment return, including its investment philosophy and investment portfolio assets. Definity responded on May 8, 2026. The new money rate for the policyholder supplied funds at the

time of filing was expected to be the in range of +3.03% to +3.16%. Definity also provided its investment philosophy and investment policy with its defined asset mix guidelines, stating that all claim liabilities should be backed by bonds. Taking into account these considerations, along with the investment assets backing the funds, Definity suggested that +3.1% was a fair and reasonable assumption for an expected investment return.

[69] As this information was not in the Filing or available to the Intervenors during the Hearing, the Panel provided the Applicant's response to the Intervenors inviting them to comment. The OAG thereafter submitted that the return on investment rate is applied not only to claim liabilities, but also to unearned premium liabilities, unallocated loss adjustment expense liabilities, expense accruals, and the surplus supporting the premium. Consequently, it suggested that the return on investment assumption should consider the entire portfolio, not just the bond portfolio.

[70] The CAI indicated that he would not be providing further comments on this issue.

[71] The Applicant's response provided justification for the use of bond rates for the return on investment assumption, and its compliance with its own investment policy. The Panel was satisfied that the amended assumption of +3.10% is reasonable and justified and requires the Applicant to make that change to the Filing.

[72] The Panel recommends that the considerations outlined in the Filing Guidelines be included within future filings, or alternatively, explanations provided to justify their absence.

E. *Return on Equity*

[73] The CAI also raised the issue of the target ROE, questioning whether the assumption of +11.15% is just and reasonable in the current market, particularly where insurers in other provinces are not receiving that level of return.

[74] No evidence was provided, beyond argument and identification of different treatment in different jurisdictions, that challenged the reasonableness of an +11.15% target return on Equity. While other regulators may arrive at a different conclusion in the specific circumstances of their jurisdictions, this Panel is satisfied that the Applicant's selection is reasonable and appropriate.

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

F. Credit Score

[76] Definity utilizes credit score as a rating variable for consenting policyholders. The CAI raised concern with the method by which the consent is obtained and the wording of the consent itself.

[77] The CAI requested that the Board review the consent that was being used by Definity to determine if it was drafted in an appropriate manner and in particular whether it meets the information contained in the Notice issued by the Insurance Bureau of Canada to its member insurers regarding the use of credit scores. Notably, the Consent used by Definity is not part of the Record of Hearing.

[78] The Board's mandate relates to automobile insurance rates specifically and exclusively. In so far as credit score has been used as a parameter to determine premiums of policyholders, the Board has considered and approved the use of credit score. However, the Board has no jurisdiction over the contents of the consent used by the insurer.

[79] The CAI also argued against the use of credit score as a rating variable, citing an inadequate correlation between credit score and driving/claim habits.

[80] Credit score was previously approved by the Board on the basis of evidence of a relationship between credit score and claim costs. In this filing, Definity is only proposing changes to selected credit score differentials. The Panel agreed with the proposed differentials.

G. Merger Filing Transition

[81] The CAI raised a concern that the Filing does not mention a transition period for past Travelers policyholders renewing policies with Definity further to the recent acquisition, while this was mentioned in the Nova Scotia transitional provisions.

[82] The Panel takes notice of the requirement in New Brunswick to file a merger filing when two or more insurers merge. The Panel confirmed that a merger filing had been submitted and approved in this case,

and therefore is not part of the current Filing or the Record. Any transitional issues would have been part of the merger filing and are not before this Panel.

4. Decision

[83] For the reasons set out above, the Panel finds that Applicant's Filing is not just and reasonable in its entirety and the Applicant is ordered to amend its Filing with the revisions set out in paragraph [5] above and approved to adopt the revised indicated average rate level changes set out below:

Coverage	Approved Rate Change
Third Party Liability	+7.13%
Property Damage – Direct Compensation (DCPD)	+21.47%
Accident Benefits (AB)	+2.82%
Uninsured Auto (UA)	+7.72%
Collision (COL)	+19.29%
Comprehensive (COM)	+20.07%
Specified Perils (SP)	+20.07%
Underinsured Motorist (UM) – SEF44	-0.64%
Total	**+14.38%**

[84] The approved rates will be effective on August 6, 2026, for new business and November 4, 2026 for renewal business.

Dated at Saint John, New Brunswick, on July 13, 2026.

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

WE CONCUR:

Ms. Francine Kanhai, Board Member

Ms. Heather Stephen, Board Member