DECISION **2025 NBIB 260**

NEW BRUNSWICK INSURANCE BOARD

IN THE MATTER OF:

a rate revision application for the:

Sonnet Insurance Company

With respect to automobile insurance rates for:

Private Passenger Vehicles

Written Hearing Date: April 30, 2026

PANEL:

Chair	Ms. Marie-Claude Doucet, LL.B.
Member	Ms. Francine Kanhai
Member	Ms. Heather Stephen

Applicant: Sonnet Insurance Company

Decision Rendered: July 23, 2026

Summary

[1] Sonnet Insurance Company (the "Applicant" or "Sonnet") 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. Sonnet presented its filing to the New Brunswick Insurance Board (the “Board”) based on an initial overall average rate level change indication of +20.90% and proposed an overall average rate level increase of +12.05% before capping (+11.96% after capping). The indication was later amended to +20.18% 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 written Hearing (the “Hearing”) on April 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”). Neither the OAG nor the CAI chose to intervene in this Hearing.

[4] On May 4, 2026, after the initial written Hearing, 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
- Sonnet’s investment philosophy
- Sonnet’s investment portfolio assets expected to be held by the insurer on the policyholder supplied funds, and corresponding investment return.

[5] Sonnet responded on May 11, 2026 to this request for information. The Panel reconvened on May 26, 2026, to review the response from Sonnet and continue deliberations. Deliberations resumed on June 15, 2026, following which the Panel requested (on July 10, 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 model based on Company data excluding the seasonality and the 2020-1 scalar variables (as requested in point [1] of paragraph [5] in the Board's Decision for Definity Insurance Company dated 13 July 2026) and applying the resulting COVID-19 adjustment factors in the provincial indications.

[2] Using the Bodily Injury past and future severity trend resulting from the model based on Company data excluding the seasonality variable (as suggested in point [2] of paragraph [5] in the Board's Decision for Definity Insurance Company dated 13 July 2026). 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 model based on industry data starting in 2017-1 (as requested in point [3] of paragraph [5] in the Board's Decision for Definity Insurance Company dated 13 July 2026).

[4] Using the Bodily Injury future severity trend resulting from the model based on Industry data starting in 2017-1 (as requested in point [4] of paragraph [5] in the Board's Decision for Definity Insurance Company dated 13 July 2026).

[5] Using the Property Damage and DCPD past and future frequency trend resulting from the model based on Company data excluding the seasonality and mobility variables (as requested in point [5] of paragraph [5] in the Board's Decision for Definity Insurance Company dated 13 July 2026) and applying the resulting COVID-19 adjustment factors in the provincial indications.

[6] Using the Property Damage and DCPD past and future severity trend resulting from the model based on Company data excluding the seasonality variable (as requested in point [6] of paragraph [5] in the Board's Decision for Definity Insurance Company dated 13 July 2026).

[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 Company 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 3.03%.

[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 Applicant responded to the request on July 15,2026, 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 +20.18% to +16.31%. The Applicant revised the proposed average rate level change by coverage but maintained the overall proposed average rate level change at 12.05%.

[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 July 15, 2026.

[10] The Panel finds that Sonnet's amended indicated overall average rate level change of +16.31% is just and reasonable in the circumstances and Sonnet is **approved to adopt its proposed overall average rate level change of +12.05% (+11.96% after capping)** effective August 20, 2026 for new business and October 9, 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	November 28, 2025
	02	Round 1 Eckler Questions to Applicant	January 14, 2026
	03	Round 1 NBIB Questions to Applicant	January 15, 2026
	04	Round 1 Applicant Response to NBIB	January 21, 2026
	05	Round 1 Applicant Response to Eckler	January 23, 2026
	06	Round 2 Eckler Questions to Applicant	January 26, 2026
	07	Round 2 Applicant Response to Eckler	January 29, 2026
	08	Eckler Actuarial Report	February 4, 2026
	09	Board Request for Information from Applicant	May 4, 2026
	10	Applicant Response to Request for Information	May 11, 2026
	11	Board Request for Revised Indications	July 14, 2026
	12	Applicant's Response to Board's Request for Revised Indications	July 15, 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 November 28, 2025. The original overall rate level change indication of the Filing was +20.90% and the Applicant sought an overall average rate level increase of +12.05% (+11.96% 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 +20.18% and a proposed overall average rate level increase of +12.05% (+11.96% after capping).

[15] The Board determined that a hearing was required and issued a Notice of Hearing on March 2, 2026. As there were no intervenors, the Board convened a Panel of the Board to conduct a Written Hearing on the matter.

[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. The Applicant responded to all questions posed, and the answers form part of the Record.

[17] The Written Hearing took place on April 30, 2026, immediately following the Hearing for Sonnet's sister company, Definity Insurance Company ("Definity"). Thereafter, additional information and adjustments were sought, with final revised indications delivered on July 15, 2026. The Applicant's response was placed before the Panel and this decision finalized thereafter.

2. Evidence

Sonnet Insurance Company

[18] 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)	+28.04%	+25.00%	+24.74%
Property Damage (TPL-PD)		Included with BI	
Property Damage – Direct Compensation (DCPD)	+22.03%	+9.00%	+8.92%
Accident Benefits (AB)	+12.46%	+10.00%	+9.87%
Uninsured Auto (UA)	+45.22%	+13.07%	+13.05%
Collision (COL)	+18.49%	+6.00%	+6.00%
Comprehensive (COM)	+20.84%	+10.00%	+9.99%
Specified Perils (SP)	-27.82%	+10.00%	+9.83%
Underinsured Motorist (UM) – SEF44	-45.98%	0.00%	-0.06%
Total	**+20.18%**	**+12.05%**	**+11.96%**

[19] The rate indication calculations detailed in the Filing incorporate various assumptions, including an after-tax target return on equity (“ROE”) of +11.15%, 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 $1,742 to approximately $1,950 after capping.

[20] Sonnet submitted that with the current economic climate, cost developments, and the prevalence in all aspects of peoples lives, it believed the selected change to be reasonable for Personal Auto premiums for 2026.

3. Analysis and Reasons

[21] The Panel has reviewed and carefully considered all of the written evidence in the Record.

[22] The Panel recognizes and accepts the actuarial expertise of the expert actuaries who prepared the Filing and responded to questions from the Board and Board’s consulting actuaries.

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

[24] 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. This Written Hearing commenced immediately following the Definity oral hearing, with a number of additional reconvened session. The decision for Definity dated 13 July 2026 helped inform the Panel's analysis of Sonnet's Filing. 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 Sonnet must make the changes to its Filing set out in paragraph [5] above, and may adopt the amended indicated average rate level change of +12.05% before capping and 11.96% after capping.

[25] 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

Loss Trends

[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, *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.

[28] Sonnet's trend analysis was done on a combined basis with its sister company, Definity. In the Filing, Sonnet uses the output from its trend models to calculate COVID-19 adjustment factors for application in the provincial indications.

[29] For all coverages, Sonnet 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 Sonnet 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

[30] When deriving its expected loss ratio to determine ultimate losses or for claim count calculations in its trend model, Sonnet did not adjust for trend or COVID-19 related impacts.

[31] Sonnet's loss development factors used to determine the ultimate losses for accident periods 2021-2 and 2022-1, are significantly higher than surrounding factors. Sonnet used the Expected Loss Ratio ("ELR") method to bring those claims to ultimate and the Panel concluded that the ELR method was inappropriate in the circumstances and not reflective of the actual losses. The Bornhuetter – Ferguson ("BF") method, reflects more actual experience and was more appropriate for determining the ultimate losses in the trend analysis. This method also balances consideration for the relative low amount of data, but to the extent it was available, it could reasonably be used to reflect the actual experience.

[32] Sonnet's Filing mirrored the analysis methodologies used by its sister company, Definity. The use of scalars and parameters in its models are the same as those proposed by Definity. As it did in the Definity Decision of 13 July 2026, 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. In the Filing, Sonnet has included a non-statistically significant seasonality variable in both trends, and a 2020-1 scalar in the frequency trends.

[33] The Panel orders Sonnet to adopt a past and future frequency trends based on Company data which excludes the seasonality and the 2020-1 scalar variables. The Panel recognizes that this impacts the corresponding COVID-19 adjustment factors used in the provincial indications and orders these be adjusted as well.

[34] For past and future severity trends based on Company 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 [31]).

b) Based on Industry Data

[35] Sonnet’s Bodily Injury industry trend models use only 5 years of data, which does not include any pre-COVID period. The Panel was concerned with the use of only 5 years of data, over a post-pandemic period, for this long tail coverage, while acknowledging that the Applicant is using industry data in order to draw from a large volume of data with greater stability and credibility.

[36] Further, the models included parameters with high p-values, indicating that they were not statistically significant, specifically the mobility parameter in the frequency model and the seasonality parameter in both models.

[37] The Panel determined that in the circumstances, a longer experience was preferable, particularly with the volatility in the more recent periods. The Applicant is ordered to revise the model to adopt an experience period starting at 2017-1 for the future frequency and severity trends derived from Industry data.

c) Selection

[38] Once the industry and company trends were modelled and selected, Sonnet set its future trend rate equal to the average of the two. 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

[39] As was done for the long tail coverage considered above, Sonnet's frequency and severity models for PD Tort and DCPD included parameters that were not statistically significant. For frequency trends, Sonnet consistently included seasonality, Mobility and the 2020-1 scalar parameters, and for severity it included seasonality. These were included notwithstanding p-values that were not statistically significant.

[40] Sonnet judgmentally selected a future frequency trend of 0% based on observed flatter frequencies starting at the end of 2021.

[41] For the reasons cited above, the Panel agrees that statistically insignificant parameters ought to be removed from the trend models. The Panel orders the Applicant to adopt an approach similar to that ordered in the Definity decision, specifically a frequency model based on Company data excluding the seasonality and mobility variables. It is recognized that this will impact the COVID adjustment factor calculation and the Panel orders this to be revised as well.

[42] The seasonality parameter in the Applicant's Property Damage and DCPD severity model is not statistically significant. For the past and future severity trends, the Applicant must revise the model to be based on Company data, and excluding the seasonality variable which is not statistically significant.

C. Loss Trends – Accident Benefits

[43] As it did with the trends discussed above, Sonnet's frequency trend included parameters to reflect the estimated impact of COVID and new normal variables. For this coverage, the only trends of concern were past frequency and severity trends; the Panel had no concern with the future trends.

[44] Sonnet's past trends included parameters with p-values that are not statistically significant.

[45] As with other coverages, the Panel concluded that parameters that are not statistically significant ought to be removed from the Applicant's trend models.

[46] 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*

[47] Sonnet 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.

[48] In arriving at its selected investment return assumption, Sonnet 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.

[49] On May 4, 2026, the Board requested that the Applicant provide additional information regarding the Applicant's investment return, including its investment philosophy and investment portfolio assets. Sonnet responded on May 11, 2026. The new money rate for the policyholder supplied funds at the time of filing was expected to be +3.03%. Sonnet 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, Sonnet suggested that +3.03% was a fair and reasonable assumption for an expected investment return.

[50] 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 +3.03% is reasonable and justified and requires the Applicant to make that change to the Filing.

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

4. Decision

[52] 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 proposed average rate level based on the revised indications provided on July 15, 2026:

Coverage	Revised Indicated Rate Change	Approved Rate Change
Third Party Liability	+11.99%	+12.0%
Property Damage – Direct Compensation (DCPD)	+23.58%	+14.0%
Accident Benefits (AB)	+10.29%	+10.0%
Uninsured Auto (UA)	+31.39%	+13.1%
Collision (COL)	+18.09%	+11.0%
Comprehensive (COM)	+20.43%	+13.0%
Specified Perils (SP)	-27.88%	+13.0%
Underinsured Motorist (UM) – SEF44	-50.01%	0.0%
Total	**+16.31%**	**+12.0%**

[53] The approved rates will be effective on August 20, 2026, for new business and October 9, 2026 for renewal business.

Dated at Saint John, New Brunswick, on July 23, 2026.

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

WE CONCUR:

Ms. Francine Kanhai, Board Member

Ms. Heather Stephen, Board Member