New Brunswick Insurance Board

DECISION

IN THE MATTER:
Of a rate revision application for the Facility Association
With respect to automobile insurance rates for
Private Passenger Vehicles

Hearing Date: January 26, 2022
Written Hearing

PANEL:	Ms. Marie-Claude Doucet, LL. B.	Chair
	Ms. Francine Kanhai	Member
	Mr. Georges Leger	Member

Applicant: **Facility Association**

Intervenors: **The Office of the Attorney General**

The Office of the Consumer Advocate for Insurance

Decision Rendered: March 04, 2022

<u>Summary</u>

[1] Facility Association (the "Applicant" or "FA") filed a Rate Revision Application (the "Filing" or the "Application") with respect to automobile insurance rates for Private Passenger Vehicles (PPV) in New Brunswick requesting approval for a proposed average rate increase of +10.80% based on an indicated average rate increase of +10.80%.

[2] Pursuant to subsection 267.5(1) of the *Insurance Act,* R.S.N.B., 1973 c. I-12 (the "*Act*"), the New Brunswick Insurance Board (the "Board") convened a Panel of the Board (the "Panel") to conduct a Written Hearing (the "Hearing") on January 26, 2022 with deliberations held by video conference on that date.

[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 Consumer Advocate for Insurance ("CAI"). Both the CAI and OAG 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 and adopted the position of the OAG.

[4] The Panel, after examining the evidence and submissions made by the parties, determines that the average rate increase of +10.80% proposed by the Applicant is just and reasonable in these circumstances and is approved as requested.

[5] The approved rates will be effective on July 1, 2022 for new and renewal business.

Exhibits

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

EXHIBIT	DESCRIPTION	DATE
1	Original Filing	April 23, 2021
2	Round 1 Questions from NBIB	May 28, 2021
3	Round 1 Response to Questions from NBIB/Amendment	June 1, 2021
4	Round 1 Questions from KPMG	May 31, 2021
5	NBIB extension granted for response to Round 1 Questions from KPMG until June 11, 2021	June 1, 2021
6	Round 1 Response to Questions from KPMG	June 11, 2021
7	Round 2 Questions from NBIB	June 29, 2021
8	Round 2 Response to Questions from NBIB/Amendment	June 29, 2021
9	Round 3 Questions from NBIB	July 9, 2021
10	Round 3 Response to Questions from NBIB/Amendment	July 13, 2021
11	KPMG Storyboard	July 16, 2021
12	Round 4 Questions from NBIB	July 28, 2021
13	Round 4 Response to Questions from NBIB	July 29, 2021
14	Round 1 Written Questions (IR's) from OAG to Applicant	October 29, 2021
15	Round 1 Response to IR's from OAG to Applicant	November 5, 2021
16	Round 2 IR's from OAG to Applicant	November 12, 2021
17	Round 2 Response to IR's from OAG to Applicant	November 19, 2021
18	Intervenor Expert Report from OAG	December 7, 2021
19	Final Written Submission from CAI	December 17, 2021
20	Final Written Submission from Applicant	December 21, 2021
21	Final Written Submission from OAG	December 22, 2021

1. Introduction

[7] 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

[8] The Applicant filed this Application for the PPV category on April 23, 2021. The overall rate change indication of the Filing was +10.80% and the Applicant proposed an overall average rate increase of +10.80%.

[9] The Board determined that a hearing was required as the proposed rate change exceeded the +3% legislative threshold. The Board therefore issued a Notice of Hearing on September 16, 2021. The Panel was convened to conduct the Hearing to consider the Application, and the OAG and CAI both intervened.

[10] Prior to the Hearing, in addition to the Filing, additional information and clarification was generated: the Board posed a number of questions to the Applicant, one (1) round of questions was asked by the Board’s consulting actuaries (KPMG) and two (2) rounds of interrogatories were posed by the OAG. The Applicant responded to all questions posed and the answers form part of the Record.

[11] Finally, the Hearing into this Application was held on January 26, 2022.

2. Evidence and Positions of the Parties

Facility Association

[12] The Applicant's Filing forms the main portion of its submission and of the evidence before the Panel.

[13] FA presented its Filing to the Board with an overall rate change indication of +10.80% and proposed an overall average rate increase of +10.80%. Though the Applicant made several minor amendments to its Filing, the indicated and proposed average rate change of +10.80% remained unchanged.

[14] The following sets out the amended indicated and the proposed changes to the existing rates by coverage:

Coverage	Indicated	Proposed
Bodily Injury Tort (TPL-BI)	10.60%	10.60%
Property Damage Tort (TPL-PD)	10.60%	10.60%
Property Damage - Direct Compensation (DCPD)	21.90%	21.90%
Accident Benefits (AB)	-13.20%	-13.20%
Uninsured Auto (UA)	2.60%	2.60%
Collision	17.90%	17.90%
Comprehensive	22.70%	22.70%
Specified Perils (SP)	8.80%	8.80%
Underinsured Motorist (UM) – SEF44	-3.30%	-3.30%
Total	10.80%	10.80%

[15] The rate indication calculations detailed in the Filing incorporate various assumptions, including a target and implied Return on Equity (ROE) of 12%, a target and implied Return on Premium of 7.35%, a pre-tax investment rate on cash flow (ROI) of 2.20%, an investment rate on capital of 2.20% and a 2:1 premium to surplus ratio. The proposed average overall rate changes would increase average rates from the current average of approximately $2,990.61 to approximately $3,312.66.

[16] The Applicant argues that it's +10.80% average overall rate increase is justified, citing the following as its role in the market:

> FA's role in the market place is to guarantee the availability of automobile insurance to those eligible to obtain it, with the Facility Association Residual Market (FARM) acting as the "market of last resort". A healthy and competitive voluntary market keeps the FARM's size relatively small. […]
>
> It is important, in our view, that FARM rates are set to generate an appropriate return to ensure a properly functioning market, and to provide an appropriate signal to drivers of the risk profile they present, which is

largely a factor of their driving behaviours. It is important to note that over the period 2010-2019, New Brunswick (NB) FARM private passenger vehicles had collision claims frequencies that were 2.2 times higher than NB industry private passenger vehicles, and bodily injury claims frequencies that were 5.9 higher than NB industry private passenger vehicles. [Record, page 863]

Office of the Attorney General

[17] The OAG intervened in the Hearing and took an active part in the review of the Application, questioning the assumptions therein, filing an expert report and making a written submission to the Panel. That final written submission, prepared with the assistance of its expert actuaries, OW, identified several aspects of the Filing where alternate calculations and/or assumptions were argued to be more appropriate. Areas of concerns that were raised by the OAG to be addressed at the Hearing include:

A. Loss Trend Data Period

B. Loss Trend for Third Party Liability – Bodily Injury (TPL-BI)

C. Loss Trend for Third Party Liability – Property Damage (TPL-PD)

D. Autoplus and Motor Vehicle Reports (MVR)

E. Premium Finance Fees

F. Return on Investments

G. Return on Equity

H. Adjustments Arising from Covid-19

[18] The OAG argues that with alternate assumptions, judgments, and calculations, which it suggests are more reasonable and more appropriate, the Applicant's indicated average rate change would be -4.5% rather than FA's proposed +10.8%.

Consumer Advocate for Insurance

[19] The CAI provided a written submission to the Panel for consideration. The CAI supports the alternatives and assumptions presented by the OAG and its expert actuaries, OW. In particular, the CAI's written submission highlights concerns with loss trend rates, the impact of Covid-19 and the ROE rate of 12%.

3. Analysis and Reasons

[20] The Panel has reviewed all of the written evidence in the Record, including the written submissions from all parties. The Panel recognizes and accepts the actuarial expertise of both the Applicant's actuaries who prepared the Filing and responded to the various inquiries and the expert actuaries, OW, on behalf of the OAG.

[21] The Panel's decision reflects that each assumption and methodology decision is laced with layers of data, assumptions, and judgement. As set out below in more detail, the Panel accepted the Applicant's evidence as satisfying where its evidentiary burden of just and reasonable was found to be met.

[22] The Application raised a number of issues for the Panel to consider and determine at the Hearing. Each of those issues is discussed individually below.

A. Loss Trend Data Period

[23] For the purposes of loss trend analysis, FA is using data from 2000H1 to 2019H2, all of which pre-dates the periods affected by Covid-19.

[24] The OAG points out that the Board's Filing Guidelines require that in each filing to the Board for which the loss trends are based on industry data, the loss trends must be based on the most recent available New Brunswick industry-wide experience.

[25] FA responds to this criticism by pointing out that its Filing was submitted in April 2021 based on the FA 2020 year rate review cycle, which was completed in November 2020. At that time, industry data as of December 31, 2020 was not available. FA did not complete trend analyses based on 2020H1 data due to limited resources.

[26] The Board's Filing Guidelines require companies to consider the most recent data in order to capture the data and trends that are emerging and are most likely to influence the trends into the future. Nevertheless, the Panel recognizes that the actuarial analyses, preparation of Filing Applications and review takes significant time to complete, as does the Board's review and Hearing processes. As such, the data cut off point for analysis must be set to allow for all of that process to take place. That data cut off point means that the 2020H2 data was not effectively available to the Applicant when the Filing was prepared.

[27] While the 2020H1 data was technically available to the Applicant as of the cut-off date, the Panel considered several factors. First, the Applicant responded that it did not have sufficient manpower to consider that data in its analysis. Absent other factors, the Panel might have been reluctant to accept this justification without further information, but in light of other considerations, outlined below, the Board did not judge it necessary to obtain such additional information.

[28] The Board recognizes that data from 2020H1 is atypical due to the effect of the Covid-19 pandemic that began affecting New Brunswick (and the rest of Canada) during that period. With much of the province shut down, the data for the first half of 2020 will not be easy to interpret for predictive purposes. In future filings, for all insurers, that data will require a fair bit of scrutiny and analysis to maximize its usefulness. While the OAG argues that severity is largely unchanged by the pandemic, the Panel remains unconvinced at this early point, and suggests that this premise requires scrutiny in the future as the data emerges and develops.

[29] Further, as a result of the questioning leading up to the Hearing, FA performed some sensitivity testing on their selected NB PPV loss trends based on updated industry data (i.e., as of December 31, 2020). Indicated rates were not substantially affected. The sensitivity tests, which were performed on the updated industry data excluding the 2020H1 and 2020H2 data points to remove Covid-19 impact, caused only a marginal effect on the NB PPV indication, increasing the overall rate level change indication by only +0.1%. For the TPL-BI coverage specifically, that sensitivity testing would only cause a minor difference in the trend rates, increasing the indicated Loss Cost trend from +2.0% to +2.2%.

[30] In all of the circumstances, the Panel accepts the Applicant's use of New Brunswick industry data as of December 31, 2019, the last full year of data available being 2019. 2020H2 data was not available at the time of preparing the Filing, and the decision to forgo the use of 2020H1 data is not one that affects that reasonableness of trends or rates and therefore will be accepted for the purpose of this Filing.

B. <u>Loss Trend TPL – BI</u>

[31] Loss trends are measures of the annual rates of change of past and future claims costs over time. The selection of loss trends by the Applicant requires the analysis of past data, and the application of professional judgment to model and select a trend rate that reasonably reflects the rates of change of past experience and are reasonable predictions of future expected rates of change. Loss trends are measured for each coverage, two of which are questioned by the OAG's expert evidence – Third Party Liability - Bodily Injury (TPL-BI) and Third-Party Liability - Property Damage (TPL-PD).

[32] For the TPL-BI coverage, FA has considered a data period from 2000H1 to 2019H2, including seasonality. The modeling adopts scalars (cliffs) at 2003H2 and at 2013H2 to reflect changes to New Brunswick Minor Injury Regulation (MIR) and its impact on the costs of claims within this coverage.

[33] FA's selected trend rate for TPL-BI is a combination of the separate trend rates for each of frequency and severity. The OAG deemed the frequency trend rate as reasonable at -6.4%. However, the OAG raised some concerns regarding the severity trend, which FA selects at +9.0%.

[34] One of the initial criticisms from OAG related to this trending model is the data period used, more specifically the data cut-off date of December 31, 2019. For the reasons stated in the section above, the Panel accepts the Applicant's data set.

[35] The severity trend model selected by FA uses the 2000-2019 data and generates statistical measures that indicate a robust fit. The adjusted R-squared value at 88.64% and p-value of less than 5% indicate a model that is predictive of the severity trend. In addition, to consider the strength of the model, the residual plot shows that the data points are randomly dispersed, with no obvious pattern, which is an indication of a sound model.

[36] OW's alternate modelling commences with 2004H1 data and includes the 2020H2 data points, adopting the position that the severity during the pandemic period is similar to severity in the previous period. The OAG's inclusion of the 2020 data points and other differences in the modelling leads to an indicated severity trend of +6.1%. The adjusted R-squared value at 88% and p-value of 0% indicate a model that is predictive of the severity trend.

[37] Both FA and the OAG recognize that there are multiple valid and reasonable models that can be derived from the data and surrounding circumstances. Both models take into account the MIR reform in 2003; the Applicant by the use of a scalar, and the OAG by commencing its data analysis in 2004.

[38] This Panel agrees; both the Applicant and the OAG have proposed valid and reasonable models based on the data and assumptions adopted by each. The question is not, however, whether there is another reasonable model, but whether the Applicant has established that its proposed rates, and by extension its underlying trends, models, and assumptions, are reasonable in these circumstances. For the reasons stated in the previous section, FA's decision to exclude the

2020 data is accepted. Its resulting model is objectively valid and actuarially sound. The Panel accepts that the evidence within the Record, proffered by the Applicant, provides sufficient justification for the Applicant's trend model and it is accepted as reasonable and robust.

C. Loss Trend – TPL-PD

[39] As with the TPL-BI coverage, FA's loss cost trend for Third Party Liability - Property Damage (TPL-PD) is a selected through modelling the trends for frequency and severity separately. Also, as with the TPL-BI coverage, while making it clear that it does not necessarily agree with the model design adopted by FA, the OAG does not challenge FA's selected frequency trend rate itself. The Panel agrees that, based on the Record presented by the Applicant, the selected frequency trend rate of -4.7% is reasonable.

[40] For the TPL-PD severity, FA selects a trend rate of +6.2%, based on a data set spanning 2000-2019. Seasonality is accounted for, and a scalar was inserted in the model at the 2010H2 data point causing a steeper slope thereafter. FA does not provide an explanation for the scalar, but the Panel observes that there are 9 full years of data thereafter.

[41] The OAG's modelling for the TPL-PD severity is performed using a data set spanning from 2006 through 2020, with a scalar at 2015H2, and no change in slope. Based on this model, the OAG argues that a trend of 0% would be reasonable. The OAG bases its argument against a positive trend on the analysis of residuals. The OAG argues that one of the assumptions underlying an appropriate regression model is that residuals should have relatively constant spread. The plot of residuals on FA's severity model, however, is said to have increased spread of the residuals beginning in 2006. The OAG's expert report therefore suggests that the better approach is to consider varying beginning periods to select the model that fits the data the best, satisfies all regression assumptions, and excludes all data pre-2006.

[42] The OAG proposed a severity trend model with a scalar in 2015. The Panel observes that this leaves a much shorter data period post-scalar and flattens the trend. Importantly, however,

there is no contextual analysis to explain a shift in the insurance or driving environment to explain that shift. In the absence of the lift in 2015, the OAG's graph would indicate a positive trend when considered over virtually any appropriate time period. It is only by operation of the unexplained 2015 scalar that the OAG's model produces 0.0% trend. The Panel does not accept that the 2015 scalar is reasonable in this circumstance, as no foundation has been provided to satisfactorily justify the shift.

[43] FA's model includes a scalar in 2010H2, without context to support such a shift. However, the date of that scalar in 2010 means effectively that the impact of the earlier data on the future trend is minimized. Even over a shorter period, a model would still produce a positive result.

[44] It is worth noting that both parties' models produce acceptable adjusted R-squared values as well as p-values, indicating the models are reasonably predictive.

[45] Given the evidence presented, the Panel finds that a positive severity trend is reasonable for this coverage. The OAG's 2015 scalar, which removes the positive slope in the severity trend model, is not supported and thus not accepted. The most reasonable model, then, is the one suggested by FA. The Panel accepts that the evidence within the Record, proffered by the Applicant, provides sufficient justification for the Applicant's severity trend model and it is accepted as reasonable.

D. Autoplus and Motor Vehicle Reports (MVR)

[46] As a follow up to last year's filing, the Panel acknowledges that FA had committed to update the number of drivers per vehicle as a basis to allocate the cost of Driver Record Abstract Reports (Autoplus and MVR). The current Filing provides this information as a welcomed update.

E. Premium Financing Fees

[47] Premium financing fees are charged by servicing carriers to policyholders. In exchange, policyholders access the convenience of paying their premium on a monthly basis, rather than paying the annual premium upfront. This premium financing arrangement does not involve FA, but rather is a relationship between the servicing carrier and the policyholder, much like one might choose to take out a bank loan to pay a full premium upfront.

[48] The servicing carriers who provide this service, for a fee, determine the fee for that service, and they manage the arrangement. The fees are presumably intended to reflect the risk and payment profile of those who enter into the agreements. FA's undisputed evidence, albeit not direct evidence, is that the fee charged reflects a significantly higher level of default and late payment experience than the average in the industry.

[49] The OAG takes the position that the premium financing fees received by servicing carriers ought to be accounted for in FA's revenue analysis, as the insureds who are purchasing insurance through the Facility Association Residual Market which serves as the "market of last resort", are paying the fees. The OAG argues that it would be in the interest of fairness and consistency that all insureds, including those of FA, receive the benefit of offsetting revenues associated with premium financing plans.

[50] The Panel is aware that the Board is considering the issue of financing fees as a whole, including a desire for transparency and consistency, to the extent those issues may fall within the Board's mandate. At this time there is no formal guidance and issues are considered based on the Record before the Panel.

[51] There is no dispute that a policyholder may incur costs related to paying a premium over time, instead of upfront. It could be through the servicing carriers, or it could be through other loans, lines of credit and the like, which all result in additional cost to the policyholder. Where the revenue is not received by FA, this Panel sees no reasonable ground to associate those funds

as revenue to the FA. The Panel therefore will not require that those premium financing fees be considered as revenue in setting FA rates.

F. Return on Investments (ROI)

[52] FA's rate application must include provision for the revenue received from sources other than directly from policyholders, including revenue from investment of surplus funds.

[53] In prior filings, FA had selected a pre-tax return on investment (ROI) that was close to a risk-free rate, such as a federal bond. Prior decisions on this point required FA to amend this assumption such that the selected ROI would be consistent with the insurance industry's actual mix of bond yield rates based on the distribution of such investments in the industry. In other words, the selected ROI would reflect the yield on an asset portfolio that would be similar to that of its members.

[54] In this Filing, FA continued with the approach that the previous panel had ordered and used MSA Research as a source for an investment portfolio that supports the business. The interest rate of 2.2%, as presented in the Filing, is net of the investment expenses.

[55] The OAG suggests that an investment rate assumption of 2.2% is too low and proposes that a 3.54% interest rate assumption is more reasonable. The OAG's conclusion is based on an analysis of industry weighted average pre-tax return on investments between 2018 and 2020.

[56] Ratemaking, by its nature, is a prospective exercise, seeking to find the best estimate of returns going forward.

[57] In support of the FA's assumption, and insofar as it relates to funds transferred to member companies, the Record reveals:

a. FA funds are unique, requiring on-demand callability and fund segregation; affecting the reasonableness of an assumption that funds held by FA's member companies backing FA business are invested in less risky assets;
b. Equity investments, relied upon by other insurers in the Province, as argued by the OAG, are not in keeping with the distinct nature of FA business;
c. FA's methodology which yields the net rate of 2.2% is consistent with the regulatory requirement and fairly reflects the uniqueness of the Facility Association Residual Market (FARM) funds.

[58] The Panel accepts that FA's methodology and estimate of 2.2% is reasonable and reflective of the return it is likely to receive in a low-risk investment market during the rate period.

[59] The Panel also wishes to address one of the OAG's argument regarding the Canadian Institute of Actuaries: Standards of Practice (CIA SOP). The OAG quotes a portion of Section 2620.01 of the CIA SOP:

> The best estimate present value of cash flows relating to the revenue at the indicated rate should equal the best estimate present value of cash flows relating to the corresponding claim costs and expense costs, plus the present value of a provision for profit, over a specified period of time. [Record, page 900]

[60] The OAG further notes that: "The CIA SOP doesn't exclude any revenues associated with the automobile policy rate indication calculations. Specifically, all expected investment income associated with the automobile policy, including that from all sources of investments (e.g., risk free bonds, corporate bonds, and equities) should be considered."

[61] The Panel wishes to provide additional context, also from the CIA SOP:

> 2620.15 The investment return rate for calculating the present value of cash flows would reflect the expected investment income to be earned on assets that might be acquired with the net cash flows resulting from the revenue at the indicated rate.

2620.16 Among various possible sets of such assets the actuary would consider

- Risk free assets of appropriate duration;
- Fixed- income assets of appropriate duration; and
- Assets which are expected to be acquired.

2620.17 The actuary would consider the fact that the provision for profit is not independent of the selected investment return rate and its associated uncertainty.

[62] The Panel cannot find fault in the ROI assumption adopted by FA, when the CIA SOP are viewed in their entirety. The Panel deems the FA assumption regarding the ROI reasonable in these circumstances.

G. Return on Equity (ROE)

[63] As noted previously, ratemaking requires appropriate consideration of reasonable profit provisions. FA's indications are based on a target after – tax ROE of 12%. Combined with the premium to surplus ratio of 2:1, and a pre-tax ROI of 2.2%, FA calculates a 7.35% Return on Premiums (ROP).

[64] FA's ROE selection of +12% is the same assumption used in past filings, as have many other insurers, though there is no guideline or benchmark for ROE in New Brunswick.

[65] The OAG requested that FA perform sensitivity testing related to the ROE assumption. For this sensitivity testing exercise, the OAG requested FA to use an ROP assumption of 6.35% rather than 7.35%, but provides no evidentiary basis for this number. The argument from the OAG is straightforward: the profit provision in New Brunswick is higher than in all other provinces, and thus ROP should be lowered by 1%.

[66] The CAI raised concern about this profit provision as well. The final submission from the CAI office maintains that 12% is too high and does not reflect what other provinces are permitting.

The CAI suggests that New Brunswick should align this assumption with those used in other provinces, and that New Brunswickers should not pay more than auto insurance consumers of other Atlantic provinces.

[67] FA provides information in the Record allowing some comparison of ROP and/or ROE for FARM business, including PPV, in other jurisdictions (see page 868 of the Record). Panels of the Board have often reminded parties that each jurisdiction is a distinct regulatory and competitive environment, and a simple table of comparisons, while useful, are not determinative. Similarly, the OAG's reference to commissioned studies is not persuasive when neither the studies nor the regulatory framework is before the Panel. For the purposes of comparison, however, it is noted that a 12% ROE is the same rate as is used in PEI, and that in PEI the ROP is 7.6%, higher than in New Brunswick. Based on this simple comparison, New Brunswick is not therefore the highest, or outside the range established elsewhere, even leaving aside the different environments in which they are adopted.

[68] FA in this case has selected a 12% ROE, consistent with prior filings and within the range of returns across the country. The Panel is therefore satisfied that the selected target ROE of 12% is reasonable for this Filing.

H. Estimated Adjustments Arising from Covid-19

[69] FA's Filing does not consider any mid to long-term effects of Covid-19 on the prospective rate.

[70] The OAG argues that the pandemic is not over, and that claims frequency during the proposed rate program may be impacted by the continuation of the pandemic.

[71] Similarly, the CAI argues that the loss experience that will emerge for 2020 and 2021 will be materially less than the rate indication model forecasts presented. Thus, it is argued, we can predict a reduction in auto accidents and claims. The Panel remains of the view that the effect

of COVID-19 on future automobile insurance experience is far from determined. It has not yet been considered the degree to which 2020 and 2021 data will be predictive of future claims costs and expenses in the years to come, including the period to be covered by these proposed rate increases.

[72] FA agrees that 2020 saw a dramatic decline in traffic. The uncertainty of recent traffic patterns and levels led to the decision to consider trend rates without adjustments for Covid-19. This approach is deemed as a reasonable one for this Filing considering the information at hand.

[73] The Panel recognizes that there are many uncertainties that arise from the pandemic and the assumptions of future insured behavior. The Panel concludes that the methodology employed by the Applicant was reasonable in this complex and uncertain environment and accepts these assumptions given current circumstances.

4. Decision

[74] For the reasons set out above, the Panel finds that the Applicant's proposed average rate level change is just and reasonable and the Applicant is **approved to adopt the proposed average rate change of +10.80%.**

[75] The approved rates will be effective on July 1, 2022 for new and renewal business.

Dated at Saint John, New Brunswick, on March 04, 2022.

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Marie-Claude Doucet, Chair
New Brunswick Insurance Board

WE CONCUR:

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Francine Kanhai,
Board Member

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Georges Leger,
Board Member