

March 30, 2015

Bulletin 02-2015

**Bulletin to All Private Passenger Automobile Insurers
Industry Benchmarks Effective April 1, 2015**

The Automobile Insurance Rate Board is issuing this Bulletin to advise all private passenger automobile insurers operating in Alberta that the Semi-annual Review has been completed. The Industry Benchmarks 2015 Schedule has been approved by the Board and posted on its website (<http://www.airb.alberta.ca/bulletins/>). Insurers in preparation of filings should incorporate the most current Industry Benchmarks to the extent that their own data is not fully credible. The Industry Benchmarks will also be used as the basis of the Board's review of Private Passenger Vehicle filings submitted on or after April 1, 2015.

Background:

On July 1, 2014, Section 9 of the new *Automobile Insurance Premiums Regulations* came into effect requiring the AIRB to conduct an **Annual Review** of industry experience based on data to December 31st. In addition, Board policy P06 requires the AIRB to carry out a **Semi-annual Review** based on data to June 30th.

On February 4, 2015 the AIRB posted its consulting actuary's draft Review of Industry Experience (as of June 30th) and issued Notice 01-2015 advising of this review and requesting written input from stakeholders. The Board's consulting actuary has updated its review based on stakeholder input and the final report Semi-annual Review of Industry Experience has been posted to the AIRB website (<http://www.airb.alberta.ca/semi-annual-review/>).

The Process:

All filings received on or after April 1, 2015, should incorporate the most current Industry Benchmarks. The Board will use this schedule as a basis for its review of filings. If you have any questions, please contact the Board at (780) 427-5428 or by email vivian.cao@gov.ab.ca or kimberley.kern@gov.ab.ca.

Attachment:

Semi-annual Review Industry Benchmarks Schedule Effective April 1, 2015

Del Dyck CMA, CLGM
Executive Director
Automobile Insurance Rate Board

Semi-annual Review

Industry Benchmarks Schedule

For Private Passenger Rate Filings for Basic and Additional Coverage Submitted On or After April 1, 2015

Loss Development Factors

The Board approved benchmark loss development factors for use by insurers in developing filings are outlined in Attachment 1.

Loss Trends

The following are the Oliver Wyman's recommended past and future trend rates for use by insurers in developing filings:

Coverage	Oliver Wyman Selected Trend Rates
TPL - Bodily Injury	+2.0%*
TPL - Property Damage	+3.0%
TPL – Subtotal	+2.5%
AB - Death	-2.0%
AB – Funeral	-4.5%
AB - Medical	+2.5%
AB - Disability	-2.0%
AB – Uninsured Motorist	+0.0%
AB-Total	+1.0%
Collision	+3.0%
Comprehensive	+1.0%
Specified Perils	+1.0%
All Perils	+2.0%
Underinsured Motorist	+2.0%

*With severity adjustment factor of 1.21 for semesters prior to 2011.2.

The Board acknowledges that insurers may select different trend rates based on their own claim experience. Insurers have the option to (a) use their own experience where it is fully credible; (b) use their own experience to the extent that it is credible and apply the Board's accepted industry benchmark trend rates without adjustment as the complement of credibility; or (c) apply the Board's accepted industry benchmark trend rates without adjustment.

Catastrophe Loading

The Board approved Catastrophe Loading is 40%. Where the insurers' own claim experience differs from industry and is credible, the Board acknowledges that insurers may select a different catastrophe loading based on their own claim experience.

Investment Income Rate

Oliver Wyman is recommending that the risk-free rate for all coverage be decreased from 1.7% to 1.1%. Insurers must use a risk-free rate that is no lower than 1.1% when discounting claims in filings submitted to the Board. This rate is updated on a semi-annual basis.

Administrative Expense & Unallocated Loss Adjustment Expense (ULAE)

Oliver Wyman is recommending 24.2% based on 2013 AIFI result. ULAE factor of 1.0995 is recommended based on 2013 GISA exhibit. ULAE factor is subject to future update by GISA team. Insurers' own experience should be used when filing with the Board.

Health Cost Recovery

Health Cost Recovery is a component of claims costs reported by insurers. Insurers must use the most current percentage published on the Minister of Finance's website at <https://open.alberta.ca/publications/health-cost-recovery-special-notice-assessment-factor>. The 2015 assessment factor is 6.44%.

Profit

The Board approved 7% of premium as a target pre-tax profit provision by coverage.

Attachment 1

Oliver Wyman Selected Age-to-Ultimate Development Factors

As of June 30, 2014

Alberta

Private Passenger Automobile (Excluding Farmers)

As of 2014-1

Age-to-Ultimate Factors

Incurred Claim Amount

	TPL-BI	TPL-PD	AB-MD	AB-DI	AB-DB	AB-FU	COLL	COMP	SP	AP
180-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
174-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
168-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
162-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
156-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
150-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
144-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
138-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
132-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
126-Ult	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
120-Ult	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
114-Ult	1.004	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
108-Ult	1.007	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
102-Ult	1.011	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
96-Ult	1.022	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
90-Ult	1.031	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
84-Ult	1.041	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
78-Ult	1.055	1.000	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000
72-Ult	1.074	1.000	1.004	1.000	1.000	1.000	1.000	1.000	1.000	1.000
66-Ult	1.106	1.000	1.005	1.000	1.000	1.000	1.000	1.000	1.000	1.000
60-Ult	1.136	1.000	1.005	1.000	1.003	0.997	1.000	1.000	1.000	1.000
54-Ult	1.183	1.000	1.006	1.003	1.006	0.995	1.000	1.000	0.997	1.002
48-Ult	1.240	1.001	1.008	1.005	0.998	0.988	1.000	1.000	0.998	1.002
42-Ult	1.315	1.000	1.008	1.006	0.999	0.987	1.000	1.000	0.998	1.003
36-Ult	1.421	1.000	1.008	1.008	0.996	0.984	0.999	1.000	0.994	1.003
30-Ult	1.556	0.998	1.004	1.009	0.992	0.973	0.997	1.000	0.989	1.002
24-Ult	1.697	1.000	0.977	1.009	0.981	0.958	0.985	1.000	0.984	0.986
18-Ult	1.836	1.004	0.980	1.070	0.991	0.949	0.953	0.997	0.979	0.976
12-Ult	1.934	1.016	0.931	1.192	0.977	0.933	0.832	0.986	0.959	0.945
6-Ult	2.356	1.123	0.663	1.642	1.162	1.019	0.600	1.086	0.983	0.831

Oliver Wyman Selected Age-to-Ultimate Development Factors

As of June 30, 2014

Alberta

Private Passenger Automobile (Excluding Farmers)

As of 2014-1

Age-to-Ultimate Factors

Incurred Claim Count

	TPL-BI	TPL-PD	AB-MD	AB-DI	AB-DB	AB-FU	COLL	COMP	SP	AP
180-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
174-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
168-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
162-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
156-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
150-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
144-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
138-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
132-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
126-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
120-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
114-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
108-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
102-Ult	0.998	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
96-Ult	0.996	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
90-Ult	0.993	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
84-Ult	0.990	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
78-Ult	0.986	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
72-Ult	0.980	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
66-Ult	0.973	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
60-Ult	0.967	1.000	1.000	0.999	1.000	0.998	1.000	1.000	1.000	1.000
54-Ult	0.958	1.000	1.000	0.999	1.000	0.997	1.000	1.000	1.000	1.000
48-Ult	0.949	1.000	1.000	0.998	0.993	0.993	1.000	1.000	1.000	1.000
42-Ult	0.941	1.000	1.000	0.998	0.992	0.991	1.000	1.000	1.000	1.000
36-Ult	0.935	1.000	0.999	0.997	0.984	0.987	1.000	1.000	1.000	1.000
30-Ult	0.916	0.999	0.998	0.995	0.983	0.987	0.999	1.000	1.000	1.001
24-Ult	0.897	0.998	0.995	0.990	0.957	0.971	0.994	1.000	1.000	1.005
18-Ult	0.874	0.999	0.990	0.984	0.938	0.959	0.980	1.000	0.996	1.012
12-Ult	0.822	1.000	0.972	0.962	0.903	0.930	0.916	1.001	1.000	1.033
6-Ult	0.810	1.052	0.859	0.938	0.889	0.959	0.739	1.073	0.994	1.148