

Bulletin 02-2019
February 8, 2019

Bulletin to all Private Passenger Vehicle Insurers

Criteria for Ministerial Order No. 5/2019

The Automobile Insurance Rate Board (AIRB) is issuing this Bulletin to advise all private passenger vehicle (PPV) insurers operating in Alberta the Minister of Treasury Board and Finance (Minister) has issued a new Ministerial Order, replacing Ministerial Order 14/2018 and criteria for considering rate increases over five per cent have been established.

Background:

Section 602 of the Insurance Act and Sections 2 and 5 of the Automobile Insurance Premiums Regulation require insurers to submit a rate filing application and obtain prior approval for implementation of a new or revisions to an existing rating program for private passenger vehicles. The AIRB has two guidelines for insurers to follow in developing their filings - a Simplified Filing and a Full Filing.

The Minister of Treasury Board and Finance issued Ministerial Order 5/2019, on February 7, 2019, which states the AIRB will continue to review and decide upon all rate filing applications of up to and including five per cent and the Minister will decide upon rate filing applications greater than five per cent. The Ministerial Order applies to all rate change approvals between December 1, 2018 and August 31, 2019. Regardless of the amount of the rate change request, the AIRB Filing Guidelines are applicable.

Process:

The AIRB will continue to approve all rate filing applications of up to and including five per cent. All rate filing applications for rate increases greater than five per cent will be reviewed by the AIRB and forwarded to the Minister for his decision.

In considering rate filing applications requesting a rate increase greater than five per cent, the Minister intends to consider, at least the following criteria:

1. The AIRB has already approved the full cumulative PPV rate increase of five per cent.
2. The insurer should demonstrate a significant residual actuarial indication for all PPV coverages in the order of 20 per cent.
3. The insurer's average market premium for all PPV coverages combined should be lower than the weighted provincial average premium of \$1,357 as calculated by AIRB staff as of January 23, 2019. If the insurer's average premium is in excess of the provincial average, the insurer may provide an argument as to why its situation merits special consideration.
4. The insurer provides its Alberta PPV trended ultimate accident year loss ratios from 2014 through 2018, as of December 31, 2018. The insurer should demonstrate its loss ratios have deteriorated.
5. The insurer provides its audited financial statements, Canada-wide, for all lines of business for 2015 through 2018, on an entity basis. The insurer should demonstrate it is facing serious

financial challenges and its financial situation is deteriorating.

In addition to the above criteria, insurers submitting a rate filing application for increases in excess of five per cent are encouraged to provide any other information and/or statistics that support their application, including any information that supports a determination the requested increase would be in the public interest. Prior to forwarding the rate filing application to the Minister for a decision, the AIRB may request any information it believes may be useful to the Minister in making a decision.

Required Action:

Insurers submitting a rate filing application for a rate increase of up to five per cent prior to August 31, 2019 will continue to file in accordance with the [AIRB Filing Guidelines](#) and [AIRB Bulletin 12-2018 Filing Guideline Exception for Ministerial Order No. 14/2018](#), which still apply under Ministerial Order No. 5/2019.

Insurers who meet the criteria listed above and wish to request a rate increase for greater than five per cent must submit their rate filing application for increases over five per cent to the AIRB for review and forwarding to the Minister for his decision.

Should you have any questions relating to this Bulletin, please contact the AIRB at (780) 427-5428 or by email tbf.airb@gov.ab.ca.

{Original Signed}

Laurie Balfour MBA, CPA, CMA
Executive Director

Attachments

1. Ministerial Order 5/2019
2. Minister letter to AIRB Chair

MINISTERIAL ORDER No. 5/2019

**DEPARTMENT OF TREASURY BOARD AND FINANCE
PROVINCE OF ALBERTA**

Insurance Act, s. 600

AUTOMOBILE INSURANCE RATE BOARD

I, JOE CECL, President of Treasury Board, Minister of Finance, make the following Order:

Terminology

1. In this Order, the following expressions have the following meanings:

“**Act**” means the *Insurance Act* (Alberta);

“**Applications**” means applications by insurers under the Act for approval of rate increases on private passenger vehicles;

“**Board**” means the Automobile Insurance Rate Board established by the Act;

“**Minister**” means the Minister responsible for the Act;

“**Threshold**” means a rate increase requested by an Application that, when taken together with any other rate increases approved in respect of the applying insurer during the period from December 1, 2018 through August 31, 2019, would result in a cumulative overall rate level increase of more than 5% during that period.

Exercise of powers by Minister:

2. Effective the date of this Order, the following powers, duties and functions of the Board under the Act are to be exercised only by the Minister and not by the Board:

- Deciding upon Applications (whether received by the Board before or after the date of this Order) that are over the Threshold.
3. All provisions of the Act and any regulations under the Act that are applicable to the consideration of Applications by the Board remain applicable, with necessary modifications, to consideration of Applications over the Threshold by the Minister.

Remaining powers of the Board:

4. The Board shall continue to be responsible for receiving all Applications and for dealing with all Applications except to the extent that an Application requests an increase in excess of the Threshold. Where an Application requests an increase in excess of the Threshold, the Board shall deal with the Application to the limit of the Threshold, and thereafter shall route to the Minister for decision the request for an increase in excess of the Threshold.

Additional duties assigned to the Board:

5. Where Applications are routed to the Minister for decision under this Order, the Board shall provide to the Minister all such analysis and all such statistical, technical or other information as the Minister may request of the Board for the purpose of dealing with such Applications.

Replaces and supersedes

6. This Order supersedes and replaces Ministerial Order No. 14/2018.

DATED this seventh day of February, 2019.

Original signed by

JOE CECI
President of Treasury Board,
Minister of Finance

Alberta Treasury Board and Finance
Office of the Minister
MLA, Calgary-Fort

February 7, 2019

Ms. Charlene Butler
Chair
Automobile Insurance Rate Board
2440, Canadian Western Bank Place
Edmonton AB T5J 3N6

Dear Ms. Butler:

Please find enclosed a new Ministerial Order applicable to rate increases for the period of December 1, 2018 through August 31, 2019.

This new Order is made under section 600 of the *Insurance Act*, rather than under the *Alberta Public Agencies Governance Act*, and supersedes and replaces the previous Order. The Order provides that rate increases in excess of the cumulative five per cent "Threshold" cannot be decided upon by the AIRB, but must be routed to me for decision.

The AIRB may continue to decide upon all rate increases up to and including five per cent. If an application is for more than a cumulative five per cent increase during the above period, the AIRB may decide upon the first five per cent and I will decide upon any component of rate increase in excess of five per cent. The AIRB will forward the application to me, and will provide any information, analysis or advice that I or my officials may request in respect of the application.

In considering rate increase applications for more than five per cent, I intend to consider at least the following criteria:

1. The AIRB must have already arrived at a decision to approve the full cumulative private passenger vehicle (PPV) rate increase of five per cent.
2. The insurer should demonstrate a significant residual actuarial indication for all PPV coverages in the order of 20 per cent.
3. The insurer's average market premium for all PPV coverages combined should be lower than the weighted provincial average premium of \$1,357 as calculated by AIRB staff at January 23, 2019. If the insurer's average premium is in excess of the provincial average, the insurer may provide an argument as to why its situation merits special consideration.

4. The insurer will need to provide its Alberta PPV trended ultimate accident year loss ratios from 2014 through 2018, as of December 31, 2018. The insurer should demonstrate that its loss ratios have deteriorated.
5. The insurer will need to provide its audited financial statements, Canada-wide, for all lines of business for 2015 through 2018, on an entity basis. The insurer should demonstrate that it is facing serious financial challenges and that its financial situation is deteriorating.

In addition to the above criteria, insurers applying for rate increases in excess of five per cent may provide any other information or statistics they feel would be supportive of their application, including any information that supports a determination that the requested increase would be in the public interest. Prior to forwarding the application to me for my decision, the AIRB may also request from the insurer any further information it believes may be useful for me in making my decision.

The Superintendent of Insurance will immediately coordinate the communication of this new Ministerial Order as well as the above criteria to automobile insurers and will post it on the Superintendent's website. Once the Superintendent has done so, my expectation is that you will also post it on the AIRB's website.

Please let me know if you have any questions or concerns.

Original signed February 7, 2019 by

Joe Ceci
President of Treasury Board,
Minister of Finance

cc. Darren Hedley, Superintendent of Insurance

Enclosure

- Ministerial Order