

**Bulletin 03-2017**  
**April 1, 2017**

## **Bulletin to All Stakeholders**

### **2017 Semi-annual Review PPV Industry Benchmarks Schedule Effective April 1, 2017**

The Automobile Insurance Rate Board is issuing this Bulletin to advise all private passenger automobile insurers operating in Alberta that the AIRB's 2017 Semi-annual Review has been completed. The 2017 Semi-Annual Review PPV Industry Benchmarks Schedule has been approved by the Board and posted on its website (<https://airb.alberta.ca/industry-information/communications/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, 2017.

#### **Background:**

On July 1, 2014, Section 9 of the 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 1, 2017 the AIRB posted its consulting actuary's draft Review of Industry Experience (as of June 30th) and issued Notice 01-2017 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, 2017, 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](mailto:vivian.cao@gov.ab.ca) or [kimberley.kern@gov.ab.ca](mailto:kimberley.kern@gov.ab.ca).

#### **Attachment:**

2017 Semi-annual Review PPV Industry Benchmarks Schedule Effective April 1, 2017

Del Dyck CPA, CMA, CLGM  
Executive Director  
Automobile Insurance Rate Board

# 2017 Semi-Annual Review

## PPV Industry Benchmarks Schedule

*Effective Date: For PPV Rate Filings for Basic and Additional coverage submitted between April 1, 2017 and September 30, 2017*

### 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 Board approved benchmark trend rates for use by insurers in developing filings:

Coverage	Past/Future Trend Rates
TPL - Bodily Injury	-1.0/+7.5%*
TPL - Property Damage	+3.5%
TPL – Subtotal	+6.0%
AB - Death	-4.0%
AB – Funeral	-5.5%
AB - Medical	+4.5%
AB - Disability	+3.0%
AB – Uninsured Motorist	+0.0%
AB-Total	+3.75%
Collision	+3.5%
Comprehensive	+3.0%/+5.0%**
Specified Perils	+3.0%/+5.0%**
All Perils	+5.0%
Underinsured Motorist	+3.0%/+8.0%*

\* Past/future cut-off is 2011.2; severity level adjustment of +11% for period prior to 2011.2

\*\* With level change adjustment of +10% at 2015; future trend rate begins January 1, 2015

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 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 55%. Where 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**

The Board approved risk-free rate for all coverage is 0.90%. Insurers must use a risk-free rate that is no lower than 0.90% when discounting claims in the filings submitted with the Board. This rate is updated on a semi-annual basis.

## **Administrative Expense & Unallocated Loss Adjustment Expense (ULAE)**

The Board approved expense ratio is 26.7% based on 2015 AIFI results, reflecting the 4% premium tax effective April 1, 2016; and the approved ULAE factor is 1.103 based on the published GISA accident year 2015 ULAE provision.

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](#). (The current assessment factor is 5.67%.)

## **Profit**

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

## Attachment 1

**Oliver Wyman Selected Age-to-Ultimate Development Factors  
As of June 30, 2016**

**Alberta**

**Private Passenger Automobile (Excluding Farmers)**

**As of 2016-1**

**Age-to-Ultimate Factors**

**Incurred Claim Amount**

	TPL-BI	TPL-PD	AB-DI	AB-MR	AB-FU	AB-DB	AB-UM	COLL	COMP	SP	AP	UIM
180-Ult	1.000	1.000	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	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	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	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	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	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	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	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	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	1.000	1.000
120-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
114-Ult	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
108-Ult	1.006	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
102-Ult	1.014	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
96-Ult	1.016	1.000	1.000	0.997	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
90-Ult	1.022	1.000	1.000	0.996	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.002
84-Ult	1.027	1.000	1.000	0.996	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.004
78-Ult	1.031	1.000	1.000	0.995	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.018
72-Ult	1.041	1.000	1.004	0.998	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.023
66-Ult	1.052	1.000	1.004	0.998	1.000	1.005	1.000	1.000	1.000	1.000	1.000	1.027
60-Ult	1.074	1.000	1.009	0.997	1.000	1.010	0.985	1.000	1.000	1.000	1.000	1.050
54-Ult	1.095	1.000	1.008	0.996	1.000	1.015	1.011	1.000	1.000	1.000	1.001	1.056
48-Ult	1.140	1.000	1.021	0.997	0.994	1.007	0.993	1.000	1.000	1.000	1.000	1.074
42-Ult	1.192	1.000	1.025	0.998	0.993	1.004	1.121	1.000	1.000	1.000	0.998	1.113
36-Ult	1.278	1.000	1.040	1.003	0.991	0.996	1.248	0.999	1.000	1.000	0.998	1.210
30-Ult	1.395	1.000	1.057	1.000	0.978	0.987	1.578	0.996	0.999	0.998	0.998	1.381
24-Ult	1.537	1.004	1.066	0.982	0.965	0.983	2.032	0.976	0.998	0.996	0.983	1.767
18-Ult	1.732	1.017	1.145	0.995	0.952	0.983	2.175	0.931	0.998	0.999	0.958	2.044
12-Ult	1.859	1.046	1.314	0.968	0.923	0.992	4.919	0.797	0.991	0.971	0.899	2.712
6-Ult	2.279	1.157	1.812	0.738	1.003	1.151	7.705	0.565	1.067	0.915	0.804	7.634

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**Alberta**  
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**Age-to-Ultimate Factors**  
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174-Ult	1.000	1.000	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	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	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	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	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	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	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	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	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	1.000	0.995
114-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.947
108-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.907
102-Ult	0.998	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.877
96-Ult	0.997	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.837
90-Ult	0.995	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.794
84-Ult	0.994	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.741
78-Ult	0.991	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.692
72-Ult	0.987	1.000	1.000	1.000	1.000	1.000	0.942	1.000	1.000	1.000	1.000	0.625
66-Ult	0.984	1.000	1.000	1.000	1.000	1.000	0.866	1.000	1.000	1.000	1.000	0.580
60-Ult	0.981	1.000	1.000	1.000	0.998	1.000	0.801	1.000	1.000	1.000	1.000	0.531
54-Ult	0.977	1.000	1.000	1.000	0.996	1.000	0.757	1.000	1.000	1.000	1.000	0.488
48-Ult	0.971	1.000	1.000	1.000	0.992	0.990	0.719	1.000	1.000	1.000	1.000	0.461
42-Ult	0.966	1.000	1.000	1.000	0.991	0.986	0.739	1.000	1.000	1.000	1.000	0.437
36-Ult	0.964	1.000	1.000	1.000	0.988	0.977	0.771	1.000	1.000	1.000	1.000	0.442
30-Ult	0.954	1.000	0.998	0.999	0.986	0.972	0.800	0.999	1.000	1.000	1.001	0.490
24-Ult	0.942	1.000	0.996	0.998	0.973	0.948	0.982	0.992	1.001	1.000	1.004	0.680
18-Ult	0.928	1.004	0.995	0.996	0.958	0.923	1.109	0.971	1.003	0.998	1.009	0.804
12-Ult	0.888	1.011	0.976	0.986	0.917	0.870	1.216	0.898	1.008	0.992	1.025	1.006
6-Ult	0.882	1.060	0.963	0.866	0.934	0.841	1.605	0.718	1.080	0.984	1.101	1.504