

Bulletin 03-2019

April 1, 2019

Bulletin to all Private Passenger Vehicle Insurers

2019 Semi-Annual Review PPV Industry Benchmark Schedule Effective April 1, 2019

The Automobile Insurance Rate Board (AIRB) is issuing this Bulletin to advise all private passenger vehicle (PPV) insurers operating in Alberta the AIRB's 2019 Semi-Annual Review has been completed. The 2019 Semi-Annual Review PPV Industry Benchmarks Schedule has been approved and posted on the website (<http://www.airb.alberta.ca/industry-information/communications/bulletins/>).

Background:

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

On January 28, 2019, the AIRB posted its consulting actuary's draft Review of Industry Experience (as of June 30, 2018) and issued Notice 01-2019 advising of this review and requesting written input from stakeholders. The AIRB'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/industry-information/semi-annual-review/2019/>).

Process:

All PPV filings received on or after April 1, 2019, should incorporate the most current Industry Benchmarks to the extent their own data is not fully credible. The Industry Benchmarks will also be used as the basis of the AIRB's review of PPV filings submitted on or after April 1, 2019.

Required Action:

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

Attachment:

1. 2019 Semi-Annual Review PPV Industry Benchmark Schedule – effective April 1, 2019

2019 Semi-Annual Review

Industry Benchmarks Schedule - PPV

Effective Date: For basic and/or additional coverage filings submitted on or after April 1, 2019

Loss Development Factors

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

Loss Trends

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

Coverage	Oliver Wyman Selected Past/Future Trend Rates
TPL - Bodily Injury	+8.5%/+7.5%*
TPL - Property Damage	+2.5%
TPL – Subtotal	+6.8%/+6.1%
AB - Death	-2.0%
AB – Funeral	-4.0%
AB - Medical	+3.5%*
AB - Disability	+5.5%/+6.5%
AB – Uninsured Motorist	+0.0%
AB-Total	+1.5%/+9.5%**
Collision	+3.0%
Comprehensive	+5.0%/+8.5%***
Specified Perils	+12.0%
All Perils	+4.0%
Underinsured Motorist	+4.0%

* Future trend rate begins April 1, 2018.

** Trend rate change and level change adjustment of +15.0% at July 1, 2015.

*** Future trend rate begins January 1, 2011.

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 60%. 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, providing their catastrophe definition has been consistent in the experience period.

Investment Income Rate

The Board approved risk-free rate for all coverage is 2.82%. Insurers must use a risk-free rate that is no lower than the benchmark 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 26.6% based on 2017 AIFI results; and the approved ULAE factor is 1.092 based on the published GISA accident year 2016 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 Open Government Portal website (<https://open.alberta.ca/publications/health-cost-recovery-special-notice-assessment-factor>); 2019 assessment factor is 6.70%.

Profit

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

**Board Approved Age-to-Ultimate Development Factors
As of June 30, 2018**

Alberta

Private Passenger Automobile (Excluding Farmers)

As of 2018-1

Age-to-Ultimate Factors

Incurred Claim Amount

	Bodily Injury	Property Damage	Accident Benefits	Collision	Comprehensive	Comprehensive Theft	All Perils	Specified Perils	Underinsured
180-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
174-Ult	1.000	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.000
168-Ult	1.000	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.000
162-Ult	1.000	1.000	1.001	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	1.007
150-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.022
144-Ult	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.020
138-Ult	1.003	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.014
132-Ult	1.007	1.000	1.002	1.000	1.000	1.000	1.000	1.000	1.010
126-Ult	1.007	1.000	1.002	1.000	1.000	1.000	1.000	1.000	1.005
120-Ult	1.010	1.000	1.003	1.000	1.000	1.000	1.000	1.000	0.994
114-Ult	1.011	1.000	1.003	1.000	1.000	1.000	1.000	1.000	0.995
108-Ult	1.016	1.000	1.002	1.000	1.000	1.000	1.000	1.000	1.019
102-Ult	1.019	1.000	1.002	1.000	0.999	1.000	1.000	1.000	1.028
96-Ult	1.023	1.000	1.004	1.000	0.999	1.000	1.000	1.000	1.011
90-Ult	1.026	1.000	1.005	0.999	0.999	0.999	1.000	1.000	1.015
84-Ult	1.035	1.000	1.004	0.999	0.999	0.999	0.999	1.000	1.005
78-Ult	1.042	1.000	1.005	0.999	0.999	0.999	0.998	1.000	1.000
72-Ult	1.056	1.000	1.002	0.999	0.999	1.000	0.998	1.000	0.987
66-Ult	1.078	1.000	0.998	0.999	0.999	0.999	0.999	1.001	0.984
60-Ult	1.101	1.000	0.999	0.998	0.999	0.999	0.999	1.001	0.991
54-Ult	1.138	1.000	0.999	0.998	0.999	0.999	0.999	0.999	1.010
48-Ult	1.193	1.000	1.002	0.998	0.999	0.998	0.998	1.000	1.015
42-Ult	1.265	1.000	1.005	0.998	0.999	0.999	0.996	1.000	1.051
36-Ult	1.367	1.000	1.010	0.997	0.999	0.999	0.998	1.000	1.165
30-Ult	1.502	1.001	1.012	0.995	0.999	0.998	0.999	0.999	1.357
24-Ult	1.687	1.005	0.997	0.977	1.000	0.998	1.000	0.995	1.735
18-Ult	1.903	1.020	1.035	0.939	1.001	0.993	0.982	0.994	2.121
12-Ult	2.128	1.065	1.069	0.828	1.001	0.979	0.924	0.967	2.852
6-Ult	2.708	1.197	0.984	0.579	0.992	0.944	0.773	0.899	7.729

Board Approved Age-to-Ultimate Development Factors
As of June 30, 2018
Alberta
Private Passenger Automobile (Excluding Farmers)

As of 2018-1
Age-to-Ultimate Factors
Incurred Claim Count

	Bodily Injury	Property Damage	Accident Benefits	Collision	Comprehensive	Comprehensive Theft	All Perils	Specified Perils	Underinsured
180-Ult	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	1.007
168-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.007
162-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.007
156-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.004
150-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.994
144-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.994
138-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.994
132-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.991
126-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.964
120-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.946
114-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.910
108-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.882
102-Ult	0.998	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.855
96-Ult	0.998	1.000	1.000	0.999	1.000	1.000	0.999	1.000	0.818
90-Ult	0.998	1.000	1.000	0.999	1.000	1.000	0.999	1.000	0.790
84-Ult	0.997	1.000	1.000	0.999	1.000	1.000	0.999	1.000	0.739
78-Ult	0.995	1.000	1.000	0.999	1.000	1.000	0.999	1.000	0.689
72-Ult	0.994	1.000	1.000	0.999	1.000	1.000	0.999	1.000	0.627
66-Ult	0.992	1.000	1.000	0.999	1.000	0.999	0.999	1.000	0.583
60-Ult	0.990	1.000	1.000	0.999	1.000	0.999	0.999	1.000	0.529
54-Ult	0.988	1.000	0.999	0.999	1.000	0.999	0.999	1.000	0.487
48-Ult	0.984	1.000	0.999	0.999	1.000	0.999	0.999	1.000	0.454
42-Ult	0.980	0.999	0.999	0.999	1.000	0.999	0.999	1.000	0.431
36-Ult	0.983	0.999	0.999	0.999	1.000	0.999	0.999	1.001	0.444
30-Ult	0.981	0.998	0.999	0.998	1.000	0.999	1.000	1.001	0.503
24-Ult	0.996	0.998	0.999	0.991	1.002	1.000	1.003	0.999	0.688
18-Ult	1.008	1.005	1.002	0.971	1.006	0.999	1.004	1.001	0.819
12-Ult	0.997	1.025	1.003	0.905	1.015	0.998	1.006	0.998	1.004
6-Ult	1.040	1.109	0.958	0.719	1.090	0.996	1.053	1.011	1.437