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**Bulletin 05-15**

**September 29, 2015**

**To: Private Passenger Automobile Insurers**

**Subject: Industry Benchmark Schedule – October 1, 2015**

The Automobile Insurance Rate Board is issuing this Bulletin to advise all private passenger automobile insurers operating in Alberta that the 2015 Annual Review has been completed. The Industry Benchmarks Schedule effective October 1, 2015 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 October 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.

The Board's final report 2015 Annual Review has been posted to the AIRB website ([www.airb.alberta.ca/public\\_meetings/2015/default.aspx](http://www.airb.alberta.ca/public_meetings/2015/default.aspx)).

**The Process:**

All filings received on or after October 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](mailto:vivian.cao@gov.ab.ca) or [kimberley.kern@gov.ab.ca](mailto:kimberley.kern@gov.ab.ca).

**Attachment:**

Annual Review Industry Benchmarks Schedule - Effective October 1, 2015

Sincerely,

*"Original signed"*

Del Dyck CMA, CLGM  
Executive Director

# Annual Review

## Industry Benchmarks Schedule

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

### Loss Development Factors

The Board approved benchmark loss development factors for use by insurers in developing filings are outlined in Attachment 1. The loss development factors will be updated as part of the Board's semi-annual review analysis.

### Loss Trends

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

Coverage	2015 Annual Review Past/Future Trend Rates
TPL - Bodily Injury	+4.5%*
TPL - Property Damage	+3.0%
TPL – Subtotal	+4.0%
AB - Death	-3.5%
AB – Funeral	-5.5%
AB - Medical	+2.0%
AB - Disability	-2.5%
AB – Uninsured Motorist	+0.0%
AB-Total	+1.0%
Collision	+5.0%
Comprehensive	+1.0%
All Perils	+4.0%
Specified Perils	+2.0%
Underinsured Motorist	+4.5%

\* Level change factor of 1.10 at 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. The loss trend rates will be updated as part of the Board's semi-annual review analysis.

## **Catastrophe Loading**

The Board approved Catastrophe Loading is 45%. 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**

The Board approved risk-free rate for all coverage is 1.1%. Insurers must use a risk-free rate that is no lower than 1.1% when discounting claims in the filings submitted with the Board. This rate is updated on a semi-annual basis. The investment income rate will be updated as part of the Board's semi-annual review analysis.

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

The Board approved expense ratio is 24.1% based on 2014 AIFI results; and the approved ULAE factor is 1.093 based on the published GISA accident year 2014 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 at [http://www.finance.alberta.ca/publications/tax\\_rebates/healthcostsrecovery/](http://www.finance.alberta.ca/publications/tax_rebates/healthcostsrecovery/). 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 December 31, 2014

Alberta

Private Passenger Automobile (Excluding Farmers)

As of 2014-2

Age-to-Ultimate Factors

Incurred Claim Amount

	<b>Bodily Injury</b>	<b>Property Damage</b>	<b>AB - Disability Income</b>	<b>AB - Medical Rehab</b>	<b>AB - Funeral</b>	<b>AB - Death</b>	<b>AB - Uninsured</b>
180-Ult	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
168-Ult	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
156-Ult	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
144-Ult	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
132-Ult	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
120-Ult	1.000	1.000	1.000	1.000	1.001	1.000	1.000
114-Ult	1.003	1.000	1.000	1.000	1.001	1.000	1.000
108-Ult	1.005	1.000	1.000	1.000	0.999	0.996	1.000
102-Ult	1.010	1.000	1.000	1.001	0.999	1.001	0.997
96-Ult	1.017	1.000	1.000	0.997	0.998	1.005	0.998
90-Ult	1.026	1.000	1.000	0.998	0.997	1.002	0.999
84-Ult	1.035	1.000	1.004	0.996	0.997	1.003	0.885
78-Ult	1.045	1.000	1.003	0.996	0.997	1.003	0.983
72-Ult	1.060	1.000	1.013	0.999	0.990	1.002	1.129
66-Ult	1.081	1.000	1.014	1.000	0.985	1.009	1.150
60-Ult	1.107	1.000	1.018	1.000	0.981	1.004	1.092
54-Ult	1.145	1.000	1.021	1.000	0.980	1.007	1.207
48-Ult	1.185	1.001	1.026	1.002	0.972	0.996	1.184
42-Ult	1.246	1.000	1.027	1.002	0.971	0.994	1.325
36-Ult	1.338	1.001	1.027	1.004	0.969	0.991	1.503
30-Ult	1.462	0.999	1.029	0.998	0.955	0.983	1.929
24-Ult	1.597	1.002	1.030	0.973	0.943	0.969	2.461
18-Ult	1.742	1.006	1.094	0.981	0.933	0.979	2.482
12-Ult	1.841	1.017	1.219	0.930	0.913	0.967	6.200
6-Ult	2.289	1.211	1.677	0.680	0.994	1.150	10.477

**Oliver Wyman Selected Age-to-Ultimate Development Factors  
As of December 31, 2014**

**Alberta**

**Private Passenger Automobile (Excluding Farmers)**

**As of 2014-2**

**Age-to-Ultimate Factors  
Incurred Claim Amount**

	<b>Collision</b>	<b>Comprehensive</b>	<b>Specified Perils</b>	<b>All Perils</b>	<b>Underinsured</b>
180-Ult	1.000	1.000	1.000	1.000	1.000
174-Ult	1.000	1.000	1.000	1.000	1.000
168-Ult	1.000	1.000	1.000	1.000	1.000
162-Ult	1.000	1.000	1.000	1.000	1.000
156-Ult	1.000	1.000	1.000	1.000	1.001
150-Ult	1.000	1.000	1.000	1.000	1.033
144-Ult	1.000	1.000	1.000	1.000	1.041
138-Ult	1.000	1.000	1.000	1.000	1.008
132-Ult	1.000	1.000	1.000	1.000	1.013
126-Ult	1.000	1.000	1.000	1.000	1.008
120-Ult	1.000	1.000	1.000	1.000	1.013
114-Ult	1.000	1.000	1.000	1.000	1.001
108-Ult	1.000	1.000	1.000	1.000	1.037
102-Ult	0.999	1.000	1.000	1.000	1.049
96-Ult	1.000	1.000	1.000	1.000	1.026
90-Ult	1.000	1.000	1.000	1.000	1.027
84-Ult	1.000	1.000	1.000	1.000	0.999
78-Ult	1.000	1.000	1.000	1.000	1.002
72-Ult	1.000	1.000	1.000	1.000	1.031
66-Ult	1.000	1.000	1.000	0.999	1.034
60-Ult	1.000	1.000	1.000	0.998	1.040
54-Ult	1.000	1.000	1.000	1.001	1.042
48-Ult	1.000	1.000	1.000	1.001	1.063
42-Ult	0.999	1.000	1.000	1.001	1.076
36-Ult	0.998	1.000	0.997	1.001	1.175
30-Ult	0.995	0.999	0.994	1.000	1.321
24-Ult	0.981	0.998	0.995	0.982	1.619
18-Ult	0.946	0.995	0.992	0.969	1.927
12-Ult	0.821	0.984	0.976	0.936	2.687
6-Ult	0.592	0.997	0.967	0.823	7.174

**Oliver Wyman Selected Age-to-Ultimate Development Factors  
As of December 31, 2014**

**Alberta**

**Private Passenger Automobile (Excluding Farmers)**

**As of 2014-2**

**Age-to-Ultimate Factors**

**Incurred Claim Count**

	<b>Bodily Injury</b>	<b>Property Damage</b>	<b>AB - Disability Income</b>	<b>AB - Medical Rehab</b>	<b>AB - Funeral</b>	<b>AB - Death</b>	<b>AB - Uninsured</b>
180-Ult	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
168-Ult	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
156-Ult	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
144-Ult	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
132-Ult	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
120-Ult	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	0.949
108-Ult	0.999	1.000	1.000	1.000	0.999	1.000	0.949
102-Ult	0.998	1.000	1.000	1.000	1.001	1.000	0.935
96-Ult	0.997	1.000	1.000	1.000	1.001	1.000	0.908
90-Ult	0.995	1.000	1.000	1.000	1.000	0.999	0.885
84-Ult	0.992	1.000	1.000	1.000	0.999	0.998	0.848
78-Ult	0.989	1.000	1.000	1.000	0.999	0.997	0.840
72-Ult	0.984	1.000	1.000	1.000	0.999	0.996	0.825
66-Ult	0.979	1.000	1.000	1.000	0.997	0.995	0.769
60-Ult	0.975	1.000	1.000	1.000	0.994	0.995	0.727
54-Ult	0.969	1.000	1.000	1.000	0.993	0.993	0.696
48-Ult	0.963	1.000	0.999	1.000	0.988	0.984	0.676
42-Ult	0.957	1.000	0.999	1.000	0.987	0.980	0.696
36-Ult	0.954	1.000	0.998	0.999	0.984	0.974	0.731
30-Ult	0.939	0.999	0.996	0.998	0.981	0.971	0.756
24-Ult	0.923	0.999	0.992	0.995	0.969	0.944	0.930
18-Ult	0.905	0.999	0.986	0.990	0.955	0.924	1.048
12-Ult	0.852	0.999	0.964	0.972	0.922	0.884	1.160
6-Ult	0.920	1.103	0.945	0.861	0.945	0.873	1.588

**Oliver Wyman Selected Age-to-Ultimate Development Factors  
As of December 31, 2014**

**Alberta**

**Private Passenger Automobile (Excluding Farmers)**

**As of 2014-2**

**Age-to-Ultimate Factors  
Incurred Claim Count**

	<b>Collision</b>	<b>Comprehensive</b>	<b>Specified Perils</b>	<b>All Perils</b>	<b>Underinsured</b>
180-Ult	1.000	1.000	1.000	1.000	1.000
174-Ult	1.000	1.000	1.000	1.000	1.000
168-Ult	1.000	1.000	1.000	1.000	1.000
162-Ult	1.000	1.000	1.000	1.000	1.000
156-Ult	1.000	1.000	1.000	1.000	1.000
150-Ult	1.000	1.000	1.000	1.000	1.000
144-Ult	1.000	1.000	1.000	1.000	1.006
138-Ult	1.000	1.000	1.000	1.000	1.000
132-Ult	1.000	1.000	1.000	1.000	0.990
126-Ult	1.000	1.000	1.000	1.000	0.966
120-Ult	1.000	1.000	1.000	1.000	0.957
114-Ult	1.000	1.000	1.000	1.000	0.907
108-Ult	1.000	1.000	1.000	1.000	0.879
102-Ult	1.000	1.000	1.000	1.000	0.851
96-Ult	1.000	1.000	1.000	1.000	0.820
90-Ult	1.000	1.000	1.000	1.000	0.791
84-Ult	1.000	1.000	1.000	1.000	0.744
78-Ult	1.000	1.000	1.000	1.000	0.698
72-Ult	1.000	1.000	1.000	1.000	0.642
66-Ult	1.000	1.000	1.000	1.000	0.596
60-Ult	1.000	1.000	1.000	1.000	0.540
54-Ult	1.000	1.000	1.000	1.000	0.499
48-Ult	1.000	1.000	1.000	1.000	0.468
42-Ult	1.000	1.000	1.000	1.000	0.443
36-Ult	0.999	1.000	1.002	1.000	0.446
30-Ult	0.998	1.000	1.000	1.001	0.496
24-Ult	0.993	1.000	1.002	1.004	0.671
18-Ult	0.977	1.000	0.998	1.010	0.808
12-Ult	0.910	1.001	1.002	1.032	1.012
6-Ult	0.733	1.013	1.007	1.105	1.529