
Bulletin 07-15

October 30, 2015

To: Commercial Vehicle Automobile Insurers
Subject: Commercial Vehicles Industry Benchmark Schedule – November 1, 2015

The Automobile Insurance Rate Board is issuing this Bulletin to advise all commercial vehicle automobile insurers operating in Alberta that the AIRB's 2015 review of loss trend rates has been completed based on data to December 31, 2014. The Commercial Vehicles Industry Benchmark Schedule effective November 1, 2015 has been approved by the Board. The Schedule and the related actuarial report have been posted on the AIRB 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 Commercial Industry Benchmarks will also be used as the basis of the Board's review of Commercial Vehicle filings submitted on or after November 1, 2015.

Background:

The Insurance Act Section 602(1) requires that all insurers' rating programs and changes thereto be approved by the AIRB. Prior to 2015, the Board reviewed commercial vehicle trend rates on an annual basis for internal use in the review of Commercial filings. At its meeting of October 23, 2015, the Board decided to provide greater transparency by placing the approved Benchmark Schedule and the actuarial report on the AIRB website (<http://www.airb.alberta.ca/filing-guidelines/>). The AIRB will be contacting industry to review this process with respect to a more open process for 2016 that provides opportunity for industry to comment on the loss trends prior to the Board's approval.

The Process:

All filings received on or after November 1, 2015, should incorporate the most current Industry Benchmarks to the extent that the insurer's own data is not fully credible. The Board will use this schedule as a basis for its review of Commercial 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:

Commercial Vehicles Industry Benchmark Schedule – Effective November 1, 2015

Sincerely,

"Original signed"

Del Dyck CPA, CMA, CLGM
Executive Director

Commercial Vehicles Industry Benchmark Schedule

For Commercial Vehicle Rate Filings for Basic and Additional Coverage Submitted On or After November 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 annually.

Loss Trends

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

Coverage	Past/Future Trend Rates
TPL - Bodily Injury	+4.0%
TPL - Property Damage	+5.5%
TPL – Subtotal	+4.5%
AB-Total	+5.0%
Collision	+4.5%
Comprehensive	+5.0%
All Perils	+4.5%
Specified Perils	+5.0%
Underinsured Motorist	+4.0%

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 annually.

Catastrophe Loading

There is no catastrophe loading approved for Commercial vehicle.

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 as part of the Board's PPV 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://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
Commercial Automobile**

**Exhibit 2
Page 1**

**As of 2014-2
Age-to-Ultimate Factors
Incurred Claim Amount**

	Bodily Injury	Property Damage	Accident Benefits	Collision	Comprehensive
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	1.000
138-Ult	1.001	1.000	1.000	1.000	1.000
132-Ult	1.001	1.000	1.000	1.000	1.000
126-Ult	1.000	1.000	1.000	1.000	1.000
120-Ult	1.002	1.000	1.000	1.000	1.000
114-Ult	1.003	1.000	1.000	1.000	1.000
108-Ult	1.003	1.000	1.000	1.000	1.000
102-Ult	1.006	1.000	1.000	1.000	1.000
96-Ult	1.002	1.000	1.000	1.000	1.000
90-Ult	1.019	1.000	1.000	1.000	1.000
84-Ult	1.028	1.000	1.000	1.000	1.000
78-Ult	1.040	1.000	1.000	1.000	1.000
72-Ult	1.058	0.999	1.008	1.000	1.000
66-Ult	1.066	1.003	1.007	1.000	1.000
60-Ult	1.078	1.002	1.003	1.000	1.000
54-Ult	1.107	1.003	1.013	0.999	1.000
48-Ult	1.128	1.005	1.050	0.998	1.000
42-Ult	1.182	1.001	1.046	0.997	1.000
36-Ult	1.278	0.999	1.056	0.997	1.000
30-Ult	1.376	0.994	1.046	0.994	0.998
24-Ult	1.498	0.994	1.045	0.979	0.998
18-Ult	1.633	1.008	1.047	0.953	0.996
12-Ult	1.699	1.062	1.035	0.868	0.986
6-Ult	2.154	1.511	1.044	0.789	1.054

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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	1.000
138-Ult	1.000	1.000	1.000	1.000	1.000
132-Ult	1.000	1.000	1.000	1.000	1.000
126-Ult	0.999	1.000	1.000	1.000	1.000
120-Ult	0.999	1.000	1.000	1.000	1.000
114-Ult	0.997	1.000	1.000	1.000	1.000
108-Ult	0.997	1.000	1.000	1.000	1.000
102-Ult	0.996	1.000	1.000	1.000	1.000
96-Ult	0.996	1.000	1.000	1.000	1.000
90-Ult	0.993	1.000	1.000	1.000	1.000
84-Ult	0.991	1.000	1.000	1.000	1.000
78-Ult	0.989	1.000	1.000	1.000	1.000
72-Ult	0.986	1.000	1.000	1.000	1.000
66-Ult	0.980	1.000	1.000	1.000	1.000
60-Ult	0.984	1.000	1.000	1.000	1.000
54-Ult	0.978	1.000	0.999	1.000	1.000
48-Ult	0.970	1.000	0.998	1.000	1.000
42-Ult	0.962	0.999	0.998	1.000	1.000
36-Ult	0.956	0.999	0.997	0.999	1.000
30-Ult	0.932	0.997	0.994	0.997	1.000
24-Ult	0.906	0.995	0.992	0.989	0.999
18-Ult	0.882	1.003	0.987	0.972	0.997
12-Ult	0.823	1.004	0.956	0.907	0.988
6-Ult	0.921	1.159	0.843	0.741	0.946