

Bulletin 07-2019
September 27, 2019

Bulletin to Private Passenger Vehicle Insurers

Private Passenger Vehicle Industry Benchmark Schedule Effective October 1, 2019

The Automobile Insurance Rate Board (AIRB) is issuing this bulletin to advise all private passenger vehicle (PPV) insurers operating in Alberta that the 2019 Annual Review of PPV experience has been completed on data to December 31, 2018. The PPV Industry Benchmarks Schedule (Schedule) effective October 1, 2019 has been approved. The Schedule and the related actuarial report have been posted on the AIRB website (<https://airb.alberta.ca/industry-information/communications/bulletins/default.aspx>).

Insurers in preparation of filings 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 October 1, 2019.

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, AIRB Policy P06 requires the AIRB to carry out a **Semi-annual Review** based on data to June 30th.

The AIRB's final report 2019 Annual Review has been posted to the AIRB website (<https://airb.alberta.ca/industry-information/annual-review/2019/default.aspx>).

The Process:

All filings received on or after October 1, 2019, should incorporate the most current industry benchmarks. The AIRB will use this Schedule as a basis for its review of filings. If you have any questions, please contact the AIRB at (780) 427-5428 or by email tbf.airb@gov.ab.ca or vivian.cao@gov.ab.ca.

Attachment:

2019 Annual Review Industry Benchmarks Schedule - PPV - effective October 1, 2019

"Original signed"

Laurie Balfour, MBA, CPA, CMA
Executive Director

2019 Annual Review

Industry Benchmarks Schedule - PPV

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

Loss Development Factors

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

Loss Trends

The AIRB 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	+2.0%
TPL – Subtotal	+6.7%/+6.0%
Accident Benefits	0.5%/+9.5%**
Collision	+2.5%
Comprehensive	+6.5%
Specified Perils	+8.0%
All Perils	+4.0%
Underinsured Motorist	+4.0%

* Future trend rate begins October 1, 2018

** Trend rate change and level change adjustment of +15% at July 1, 2015

The AIRB 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 AIRB's accepted industry benchmark trend rates without adjustment as the complement of credibility; or (c) apply the AIRB's accepted industry benchmark trend rates without adjustment.

Catastrophe Loading

The AIRB approved catastrophe loading is 57%. 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 AIRB approved risk-free rate for all coverages is 2.84%. Insurers should use their own expected investment return when discounting claims in the filings submitted with the AIRB. If their own return is

lower than the benchmark, insurers must provide support for using a lower investment rate. This rate is updated on a semi-annual basis.

Administrative Expense & Unallocated Loss Adjustment Expense (ULAE)

The AIRB approved expense ratio is 26.6% based on 2017 GISA Expense Report; and the approved ULAE factor is 1.101 based on the published GISA accident year 2018 ULAE provision.

Insurers' own experience should be used when filing with the AIRB.

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 President of Treasury Board and Minister of Finance's [website](#). The 2019 assessment factor is 6.70%.

Profit

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

AIRB Approved Age-to-Ultimate Development Factors
As of December 31, 2018
Alberta
Private Passenger Automobile (Excluding Farmers)

As of 2018-2

Age-to-Ultimate Factors
Incurred Claim Amount

	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	1.001	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	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.007
150-Ult	1.000	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.019
144-Ult	1.001	1.000	1.001	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	1.010
132-Ult	1.006	1.000	1.003	1.000	1.000	1.000	1.000	1.000	1.008
126-Ult	1.007	1.000	1.004	1.000	1.000	1.000	1.000	1.000	1.003
120-Ult	1.010	1.000	1.004	1.000	1.000	1.000	1.000	1.000	0.994
114-Ult	1.010	1.000	1.004	1.000	1.000	1.000	1.000	1.000	0.993
108-Ult	1.013	1.000	1.003	1.000	1.000	1.000	1.000	1.000	1.012
102-Ult	1.014	1.000	1.003	1.000	1.000	1.000	1.000	1.000	1.025
96-Ult	1.016	1.000	1.004	1.000	1.000	1.000	1.000	1.000	1.008
90-Ult	1.019	1.000	1.005	0.999	0.999	0.999	1.000	1.000	1.010
84-Ult	1.024	1.000	1.005	0.999	0.999	0.999	0.999	1.000	1.001
78-Ult	1.027	1.000	1.006	0.999	0.999	0.999	0.999	1.001	0.994
72-Ult	1.043	1.000	1.003	0.999	0.999	1.000	0.998	1.001	0.986
66-Ult	1.060	1.001	1.001	0.999	0.999	0.999	1.000	1.001	0.980
60-Ult	1.080	1.000	1.002	0.999	0.999	0.999	0.999	1.001	0.984
54-Ult	1.111	1.000	1.004	0.999	0.999	0.998	1.000	1.000	1.003
48-Ult	1.156	1.000	1.006	0.998	0.999	0.998	0.999	1.000	1.001
42-Ult	1.219	1.000	1.009	0.998	0.999	0.998	0.999	1.000	1.041
36-Ult	1.305	1.000	1.012	0.997	0.999	0.999	1.001	0.998	1.147
30-Ult	1.432	1.001	1.012	0.995	0.999	0.997	1.002	0.998	1.341
24-Ult	1.633	1.004	0.993	0.979	1.000	0.997	1.005	0.994	1.691
18-Ult	1.872	1.018	1.045	0.944	1.002	0.994	0.985	0.993	2.056
12-Ult	2.136	1.061	1.095	0.838	1.002	0.982	0.931	0.967	2.733
6-Ult	2.888	1.308	1.017	0.609	1.014	0.937	0.799	0.901	7.455

AIRB Approved Age-to-Ultimate Development Factors
As of December 31, 2018
Alberta
Private Passenger Automobile (Excluding Farmers)

As of 2018-2
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	0.999
174-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.999
168-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.999
162-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.999
156-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.999
150-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.989
144-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.989
138-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.984
132-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.981
126-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.945
120-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.932
114-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.896
108-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.866
102-Ult	0.998	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.841
96-Ult	0.998	1.000	1.000	1.000	1.000	1.000	0.999	1.000	0.803
90-Ult	0.998	1.000	1.000	1.000	1.000	1.000	0.999	1.000	0.774
84-Ult	0.997	1.000	1.000	0.999	1.000	1.000	0.999	1.002	0.722
78-Ult	0.995	1.000	1.000	0.999	1.000	0.999	0.999	1.002	0.667
72-Ult	0.994	1.000	1.000	0.999	1.000	0.999	0.999	1.002	0.609
66-Ult	0.991	1.000	1.000	0.999	1.000	0.999	0.999	1.002	0.567
60-Ult	0.989	1.000	1.000	0.999	1.000	0.999	0.999	1.002	0.517
54-Ult	0.987	1.000	0.999	0.999	1.000	0.999	0.999	1.002	0.477
48-Ult	0.983	1.000	0.999	0.999	1.000	0.999	0.999	1.002	0.448
42-Ult	0.979	0.999	0.999	0.999	1.000	0.999	0.999	1.002	0.425
36-Ult	0.982	0.999	0.999	0.999	1.000	0.999	0.999	1.004	0.433
30-Ult	0.979	0.998	0.999	0.998	1.000	0.999	1.000	1.004	0.488
24-Ult	0.995	0.997	0.998	0.991	1.002	1.000	1.002	1.002	0.673
18-Ult	1.008	1.003	0.999	0.970	1.006	0.999	1.001	1.004	0.803
12-Ult	1.001	1.022	0.995	0.902	1.016	0.998	0.998	1.000	0.985
6-Ult	1.158	1.166	0.947	0.711	1.047	0.999	1.017	1.015	1.362