

**Bulletin 08-19**  
**September 27, 2019**

## **Bulletin to Commercial Vehicle Insurers**

### **Commercial Vehicle Industry Benchmark Schedule Effective October 1, 2019**

The Automobile Insurance Rate Board (AIRB) is issuing this bulletin to advise all commercial vehicle insurers operating in Alberta the 2019 review of commercial vehicle experience has been completed based on data to December 31, 2018. The Commercial Vehicle Industry Benchmark 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 commercial vehicle industry benchmarks will also be used as the basis of the AIRB's review of commercial vehicle filings submitted on or after October 1, 2019.

#### **Background:**

The Insurance Act Section 602(1) requires all insurers' rating programs and changes thereto be approved by the AIRB. Prior to 2015, the AIRB reviewed commercial vehicle trend rates on an annual basis for internal use in the review of commercial vehicle filings. At its meeting of October 23, 2015, the AIRB decided to provide greater transparency by placing the approved Schedule and the actuarial report on the AIRB website (<https://airb.alberta.ca/industry-information/filing-guidelines/>). Industry was invited to participate through written submissions.

#### **The Process:**

All filings received on or after October 1, 2019, should incorporate the most current industry benchmarks to the extent the insurer's own data is not fully credible. The AIRB will use this Schedule as a basis for its review of commercial vehicle filings. If you have any questions, please contact the AIRB at 780-427-5428 or by email [tbf.airb@gov.ab.ca](mailto:tbf.airb@gov.ab.ca) or [vivian.cao@gov.ab.ca](mailto:vivian.cao@gov.ab.ca).

#### **Attachment:**

2019 Annual Review Industry Benchmarks Schedule – Commercial - effective October 1, 2019

*"Original signed"*

Laurie Balfour, MBA, CPA, CMA  
Executive Director

# 2019 Annual Review

## Industry Benchmarks Schedule - Commercial

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*Effective Date: For basic and/or additional coverage rate 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 **Attachment #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	+9.0%
TPL - Property Damage	+3.0%
TPL – Subtotal	+6.6%
Accident Benefits	+0.0%
Collision	+1.5%
Comprehensive	+7.0%
Specified Perils	+7.0%
All Perils	+3.2%
Underinsured Motorist	+11.0%

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 Board's accepted industry benchmark trend rates without adjustment.

### Catastrophe Loading

The AIRB approved catastrophe loading is 25%. Where insurers' own claim experience differs from industry and is credible, the AIRB 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 and is the same as the PPV benchmark.

## **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 coverage.

## Attachment #1

**Board Approved Age-to-Ultimate Development Factors**  
**As of December 31, 2018**  
**Alberta**  
**Commercial Vehicles**

As of 2018-2

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

	<b>Bodily Injury</b>	<b>Property Damage</b>	<b>Accident Benefits</b>	<b>Collision</b>	<b>Comprehensive</b>	<b>Comprehensive Theft</b>	<b>All Perils</b>	<b>Specified Perils</b>	<b>Underinsured</b>
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	1.000
168-Ult	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
156-Ult	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
144-Ult	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
132-Ult	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
120-Ult	0.998	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000
114-Ult	0.999	1.001	1.000	1.000	0.999	1.000	1.000	1.000	0.963
108-Ult	1.003	1.001	1.000	1.000	0.999	1.000	0.998	1.000	1.029
102-Ult	1.000	1.000	1.000	1.000	0.999	1.000	0.998	1.000	1.115
96-Ult	1.002	1.000	1.000	1.000	0.998	1.000	0.998	1.000	1.197
90-Ult	1.001	1.000	1.000	1.000	0.998	1.000	0.999	1.000	1.180
84-Ult	1.013	1.001	1.000	1.000	0.999	1.000	0.998	1.000	1.155
78-Ult	1.014	1.004	1.008	0.999	0.999	1.000	0.999	1.000	1.033
72-Ult	1.027	1.005	1.016	1.000	0.999	1.000	0.998	1.000	1.012
66-Ult	1.047	1.005	1.030	0.999	0.999	1.000	0.998	1.000	0.981
60-Ult	1.061	1.002	1.031	0.999	0.998	0.999	0.999	0.999	1.026
54-Ult	1.118	1.003	1.041	0.999	0.998	0.999	0.998	0.999	1.064
48-Ult	1.194	1.000	1.017	0.999	0.998	0.999	0.997	0.998	1.078
42-Ult	1.256	1.004	1.002	0.998	0.998	0.998	0.997	0.997	1.067
36-Ult	1.397	1.006	0.995	0.997	0.998	0.998	0.996	1.004	1.244
30-Ult	1.603	1.001	0.993	0.995	0.999	0.998	0.993	1.004	1.461
24-Ult	1.895	1.016	1.005	0.984	1.002	0.998	0.984	1.008	2.155
18-Ult	2.176	1.032	1.107	0.954	1.002	0.995	0.968	1.006	3.064
12-Ult	2.483	1.082	1.138	0.875	1.001	0.984	0.933	0.997	5.897
6-Ult	3.343	1.529	1.052	0.772	1.039	0.984	1.027	0.990	9.285

**Board Approved Age-to-Ultimate Development Factors**  
**As of December 31, 2018**  
**Alberta**  
**Commercial Vehicles**

**As of 2018-2**

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

	<b>Bodily Injury</b>	<b>Property Damage</b>	<b>Accident Benefits</b>	<b>Collision</b>	<b>Comprehensive</b>	<b>Comprehensive - Theft</b>	<b>All Perils</b>	<b>Specified Perils</b>	<b>Underinsured</b>
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	1.000
168-Ult	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
156-Ult	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
144-Ult	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
132-Ult	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
120-Ult	1.000	1.000	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	1.000	1.000	1.038
108-Ult	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
102-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.906
96-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.813
90-Ult	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.721
84-Ult	0.998	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.771
78-Ult	0.995	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.679
72-Ult	0.994	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.641
66-Ult	0.987	1.000	1.000	1.000	1.000	1.000	1.000	1.000	0.588
60-Ult	0.985	1.000	1.000	0.999	1.000	1.000	0.999	1.000	0.552
54-Ult	0.981	1.000	1.000	0.999	1.000	1.000	0.999	1.000	0.494
48-Ult	0.979	1.000	0.999	0.999	1.000	1.000	1.000	1.000	0.464
42-Ult	0.976	1.000	0.998	0.999	1.000	1.000	1.000	1.000	0.421
36-Ult	0.977	1.000	0.996	0.999	1.000	1.000	0.999	1.001	0.447
30-Ult	0.975	0.998	0.994	0.998	1.001	1.000	0.997	1.001	0.499
24-Ult	0.985	0.997	0.990	0.992	1.003	1.000	0.993	1.002	0.774
18-Ult	0.989	1.008	0.992	0.975	1.007	1.000	0.981	1.003	1.069
12-Ult	0.958	1.022	0.984	0.908	1.013	1.000	0.930	0.992	1.182
6-Ult	1.094	1.181	0.887	0.729	1.029	1.002	0.861	0.993	2.495