



2015 ANNUAL GRID REVIEW

**TO ADJUST GRID BASE PREMIUMS FOR
BASIC COVERAGE EFFECTIVE JANUARY 1, 2016**

**SCHEDULE 3 SECTION 3(1) OF THE
AUTOMOBILE INSURANCE PREMIUMS REGULATION**

ALBERTA AUTOMOBILE INSURANCE RATE BOARD

BOARD DECISION

September 18, 2015

Order No: 01-15

Legislative and Regulatory Mandate

The AIRB was established on October 1, 2004 under Section 599(1) of the *Insurance Act* (the Act). On November 27, 2013, the Enhancing Consumer Protection in Auto Insurance Act was passed. The Act and a new, supporting Automobile Insurance Premiums Regulation came into force on July 1, 2014. The mandate of the AIRB is defined in the Act and the Premiums Regulation and includes the duty to:

- submit an annual report to the Minister on the operations of the Board;
- review and approve all rating programs for new insurers licensed to sell automobile insurance in Alberta;
- review and approve any changes to existing insurer rating programs for insurers licensed to sell automobile insurance in Alberta;
- conduct an Annual Review of automobile trends and premiums relating to basic and additional coverage for private passenger vehicles;
- conduct an open meeting each year to receive comments from the automobile insurance industry, the consumer representative and the public; and
- exercise and perform any other powers and duties assigned to it by the Minister or prescribed by regulations.

Base premiums are defined in the Regulation as “the premium determined under Schedule 3 for basic coverage for 12 months, or if for a period of less than 12 months, an amount prorated accordingly”.

The current Grid base premiums are listed in Appendix A. The relevant sections of the Premiums Regulation are listed in Appendix B.

Section 3(1) of Schedule 3 of the Regulation also stipulates the Board may adjust the base premium based on the annual review conducted under section 9 of the Regulation. The ratemaking components that the Grid adjustment is based on, along with Oliver Wyman’s report, can be found on the AIRB website at airb.alberta.ca/public_meetings/2015/default.aspx, titled “Industry Benchmarks Schedule” and “Review of Alberta Grid Rate Level Data as of December 31, 2014”, respectively.

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In accordance with Schedule 3, Section 3(1) of the *Automobile Insurance Premiums Regulation*, the Automobile Insurance Rate Board orders that the grid base premiums be increased by +7%. All insurers must implement the premiums in the table below effective January 1, 2016.

Grid Base Premiums as of January 1, 2016

Policyholder's choice of coverage	Territory	
	Edmonton/Calgary	Rest of Alberta
\$200,000	\$1,875	\$1,499
\$250,000	\$1,933	\$1,547
\$300,000	\$1,975	\$1,580
\$400,000	\$2,044	\$1,635
\$500,000	\$2,094	\$1,676
\$750,000	\$2,141	\$1,713
\$1,000,000	\$2,205	\$1,764
\$2,000,000	\$2,403	\$1,923

Appendix A – Current Grid Base Premiums¹

Policyholder's choice of coverage	Territory	
	Edmonton/Calgary	Rest of Alberta
\$200,000	\$1,752	\$1,401
\$250,000	\$1,807	\$1,446
\$300,000	\$1,846	\$1,477
\$400,000	\$1,910	\$1,528
\$500,000	\$1,957	\$1,566
\$750,000	\$2,001	\$1,601
\$1,000,000	\$2,061	\$1,649
\$2,000,000	\$2,246	\$1,797

¹ Table shows premiums effective January 1, 2015

Appendix B - Automobile Insurance Premiums Regulation

Schedule 3

Base Premium Calculation

Definitions

- 1 In this Schedule,
 - (a) “Calgary territory” means the City of Calgary;
 - (b) “Edmonton territory” means Townships 52, 53 and 54, Ranges 23, 24 and 25, all west of the 4th Meridian, which includes the City of Edmonton, the City of St. Albert, Clover Bar, Sherwood Park, Lancaster Park, Namao and Winterburn;
 - (c) “Rest of Alberta territory” means all areas of Alberta that are not included in the Edmonton territory or the Calgary territory.

Determining base premium

- 2 The base premium for a relevant driver and occasional driver is an amount calculated in accordance with a table to be published by the Board no later than October 31 each year for the following calendar year by determining
 - (a) the territory in which the policyholder resides, and
 - (b) the choice of the policyholder’s coverage under section 571 of the Act, namely: \$200,000, \$500,000, \$1 million or \$2 million or such other coverage amounts offered by the insurer that are included in the table.

Base premium adjustment

- 3(1) On or before October 1 in each year, the Board may adjust the base premium based on the annual review conducted under section 9 of the Regulation.
- (2) In making an adjustment, the Board must ensure that the base premium for the rest of Alberta territory is 20% less than for the Edmonton or Calgary territory.
- (3) An adjustment made under subsection (1) is effective the following January 1.
- (4) Information about the adjustments made under subsection (1) must be made publicly available in a manner satisfactory to the Superintendent.